

**TEXT FLY WITHIN
THE BOOK ONLY**

UNIVERSAL
LIBRARY

OU 160888

UNIVERSAL
LIBRARY

UNITED



NATIONS

DEPARTMENT OF ECONOMIC AFFAIRS

ECONOMIC REPORT

SALIENT FEATURES OF
THE WORLD ECONOMIC SITUATION

1945-47

Lake Success

January 1948

New York

First reprint, May 1948

P R E F A C E

This economic report is the first in a planned series of such reports. It is designed to meet the need which has been recognized by the General Assembly and the Economic and Social Council for an appraisal of world economic conditions and trends to be made from time to time as a prerequisite for recommendations as to concerted national or international action in the economic field. It is hoped that it will also serve students of economics and the general public throughout the world.

Although the Department of Economic Affairs of the United Nations is responsible for the report as a whole, generous assistance was received from the staffs of the specialized agencies, and certain sections of the report have been prepared by them. Within the Department of Economic Affairs of the United Nations, the Division of Economic Stability and Development had the major responsibility for organizing the report and for its completion. In this task it received the full assistance of all other divisions of the Department and the secretariats of the Economic Commission for Europe and the Economic Commission for Asia and the Far East.

The reviews, "The World Food Situation" and "World Man-power Problems", in part III of the report have been contributed by the secretariats of the Food and Agriculture Organization and the International Labour Organisation, respectively. Brief notes in which these two specialized agencies, the International Bank for Reconstruction and Development and the International Civil Aviation Organization survey their economic activities are presented in part IV, which also includes a summary of the functions and activities of the central organs of the United Nations in the economic field and a note on the International Monetary Fund, based on data made available by the staff of that agency.

This report thus illustrates the effective co-ordination existing among the staffs of the United Nations and the secretariats of the specialized agencies.

The form and content of the report are experimental and will change with experience and changing needs; in making such changes weight will be given to the comments and criticisms which it is hoped will be freely made.

David OWEN

*Assistant Secretary-General
in charge of Economic Affairs*

Lake Success
January 1948

CONTENTS

EDITORIAL NOTE	xv
----------------------	----

PART I

WORLD ECONOMIC HIGHLIGHTS

	<i>Page</i>
INTRODUCTION	3
THE WORLD'S SUPPLY OF COMMODITIES	
World production	4
Geographic distribution of production	
Non-agricultural production	7
Agricultural production	11
INTERNATIONAL TRADE AND CREDITS	12
Surpluses and deficits on current account	16
The difficulties of multilateral settlement and convertibility of currencies	18
PRODUCTION BOTTLE-NECKS	21
INFLATIONARY PRESSURES	24
THE FIELD OF INTERNATIONAL ACTION	29

PART II

REGIONAL ECONOMIC CONDITIONS

Chapter 1. THE AMERICAS

I. The United States

The supply situation	33
Agricultural production	33
Industrial production	34
The demand situation	35
The post-war period before decontrol	35
The period since decontrol	40

II. CANADA

Pre-war and war-time developments	45
Reconversion	46
Present problems	48

III. LATIN AMERICA

Introduction	50
Agriculture and food supplies	51
Industrial production	53
International trade	54
Inflationary tendencies	55
International activities	57

<i>Chapter 2. AUSTRALIA AND NEW ZEALAND.</i>	58
Industrial production	59
Food and agriculture	62
Foreign trade	64
Problems of shortages and excess spending power	66

	<i>Page</i>
<i>Chapter 3. ASIA AND THE FAR EAST</i>	
General background	69
Food and agriculture	
Basic situation	69
Agricultural production	
Foodstuffs	70
Commercial and industrial crops	72
Measures to improve the supply situation	74
Industry	74
Transport and communications	
Shipping	78
Railway transport	80
Roads and highways	82
Air transport	82
International trade	83
Prices and finance	86
<i>Chapter 4. THE MIDDLE EAST</i>	
The economic pattern of the Middle East	
Structural characteristics	90
Impact of the war	90
Growth of capital accumulation	91
Agriculture	92
Industry, mining and fuel	
Development of raw materials	95
Fuel and power	96
Industrial expansion	97
The problem of inflation	99
Foreign trade	
Balance of trade and balance of payments	101
Inter-regional trade	102
<i>Chapter 5. AFRICA</i>	104
Recovery of devastated and highly dislocated areas	105
Trends in more favoured areas	110
Shortages and inflation	114
Influence of inconvertible currencies and European reconstruction problems	116
Changes in the pattern of commerce	118
Plans for economic development	120
<i>Chapter 6. EUROPE</i>	
General review	123
Industry and transport	127
Recovery since the end of the war	128
Transport	128
Industry	131
Key shortages that retard industrial recovery	
Steel	137
Equipment and machinery	140
Timber	144
Prospects for further recovery of industrial production in 1948	146

	<i>Page</i>
Food and agriculture.....	147
Recovery of agricultural production since the end of the war.....	147
Indigenous food supplies in 1945/46.....	147
Indigenous food supplies in 1946/47.....	149
The 1947 grain and potato crops.....	151
Food consumption and imports since the end of the war.....	152
Prospects for 1948.....	156
Post-war inflation and internal financial stability.....	157
Post-war monetary reforms.....	158
Inflationary price movements since the end of the war.....	159
Price-wage relationships since the war.....	166
Prospects for 1948.....	167
International trade and the balance of payments.....	168
Recovery of international trade since the war.....	169
Imports since the war.....	171
Exports since the war.....	173
Post-war trends in the composition and direction of trade.....	174
The balance of international payments since the end of the war....	180
The "dollar crisis" and prospects for 1948.....	182
The situation in the fall of 1947.....	183
Prospective dollar deficits in 1948.....	185

PART III

SOME OUTSTANDING WORLD ECONOMIC PROBLEMS

Chapter 1. THE WORLD FOOD SITUATION (contributed by the Food and Agriculture Organization of the United Nations)

The agricultural year 1946/47 and food year 1947/48.....	191
Production	191
Trade	196
Consumption	198
Outlook for the agricultural year 1947/48 and food year 1948/49	
Planting conditions	198
Fertilizers	199
Farm machinery	200
Pesticides	201
Seeds	202
Livestock	202
Farm labour	202
Summary of prospects for production and food supply.....	203

Chapter 2. THE EUROPEAN COAL SITUATION

Coal production	204
Coal imports and exports.....	207
Shortage of metallurgical coke.....	210
Obstacles to further recovery.....	211
Labour supply and productivity.....	211
Equipment	213
Prospects for 1948 to 1951.....	215

	<i>Page</i>
<i>Chapter 3. THE WORLD TRANSPORT SITUATION</i>	
The effect of the war.....	217
Destruction in Europe.....	217
Damage in Asia.....	218
Rehabilitation problems and progress.....	218
Europe	219
Asia	220
International agencies	221
Comparison with pre-war status.....	222
Trade and supply.....	222
European freight movement.....	223
Merchant marine tonnage.....	224
Aviation	226
Government control	227
Requirements for transport rehabilitation and development.....	228
Recommendations for international action and agreements.....	228
<i>Chapter 4. WORLD MAN-POWER PROBLEMS (contributed by the International Labour Organisation)</i>	<i>230</i>
<i>Chapter 5. PROGRESS OF ECONOMIC DEVELOPMENT</i>	
Introduction	242
Economic development activities in various countries:	
Argentina, Bolivia, Brazil, Chile, China, Ecuador, Egypt, Guatemala, India and Pakistan, Iran, Iraq, Mexico, Peru, Philippines, Poland, Turkey, Venezuela, Yugoslavia, French Oversea Territories, and Non-Self-Governing Territories of the United Kingdom.....	245
International action in economic development.....	255

PART IV

INTERNATIONAL ACTION IN THE ECONOMIC FIELD

THE UNITED NATIONS.....	261
THE INTERNATIONAL LABOUR ORGANISATION	265
THE FOOD AND AGRICULTURE ORGANIZATION OF THE UNITED NATIONS...	272
THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT...	277
THE INTERNATIONAL MONETARY FUND.....	284
THE INTERNATIONAL CIVIL AVIATION ORGANIZATION.....	288
CHRONOLOGY	291

LIST OF CHARTS

Production of selected commodities, world production, world excluding United States, and United States, 1947.....	5
World food production, 1947/48 as per cent of pre-war and of 1946/47..	6
Indexes of wholesale prices, cost of living and monetary circulation in certain European countries:	
Denmark, Norway, Sweden, Switzerland, and United Kingdom.....	161
Belgium, Bulgaria, Czechoslovakia, Finland, Netherlands, and Poland..	163
France, Greece and Italy.....	165

LIST OF TABLES

PART I

	<i>Page</i>
1. Indexes of world production of selected commodities, 1947.....	4
2. World food production: 1947/48 production as percentage of pre-war and of 1946/47 levels.....	7
3. Comparison of production of selected commodities in the United States with the rest of the world, 1947.....	8
4. Production of selected commodities by country: 1947 production as percentage of pre-war production.....	8
5. World production of fuel and energy by area, 1938, 1946 and 1947..	10
6. Value, price and quantum of world exports, 1938-47.....	12
7. Quantum indexes of merchandise trade of selected countries, 1946 and 1947	13
8. Import or export balances of merchandise trade of selected countries, monthly averages, 1938, 1946 and 1947.....	14
9. United States merchandise trade, 1938, 1946 and 1947.....	15
10. Geographical distribution of United States export or import balances, 1938, 1946 and 1947.....	16
11. International transactions of the United States, credit or debit balances, 1945-47	17

PART II

The United States

1. Index of volume of farm production in the United States, 1944-47..	33
2. Production acreage and yield of corn, wheat and oats in the United States, 1939-47	33
3. Index of industrial production in the United States, 1939-third quarter 1947	34
4. Distribution of the labour force in the United States, July 1945-second quarter 1946	36
5. Nature of demand for the national product in the United States, second quarter 1945-second quarter 1946.....	36
6. Gross national product and disposable income in the United States, second quarter 1945-second quarter 1946.....	38
7. Disposable income and personal consumption expenditures in the United States, 1940-second quarter 1946.....	38
8. Index of wholesale prices in the United States, second quarter 1945-second quarter 1946.....	39
9. Index of consumers' prices in the United States, second quarter 1945-second quarter 1946.....	39
10. Distribution of the labour force in the United States, second quarter 1946-second quarter 1947.....	40
11. Nature of demand for the gross national product in the United States, second quarter 1946-first half 1947.....	40
12. Gross national product and disposable income in the United States, second quarter 1946-first half 1947.....	41
13. Personal consumption expenditure, disposable income and gross national product in the United States, second quarter 1946-first half 1947	42

	<i>Page</i>
14. Index of consumers' prices in the United States, second quarter 1946–second quarter 1947.....	43
15. Gross national product and its composition in the United States, first quarter–third quarter 1947	44
<i>Canada</i>	
16. Net value of production in Canada—1938, 1940 and 1943.....	45
17. Indexes of economic activity and prices in Canada, 1945–47.....	46
18. Gross national expenditure in Canada, 1938, 1944–46.....	47
19. Balance on account of current transactions of Canada with other countries	49
<i>Latin America</i>	
20. Indexes of industrial production or employment; manufacturing industries in Argentina, Chile and Mexico, 1943–47.....	53
21. Indexes of cost of living in certain Latin American countries, 1944–47	56
<i>Australia and New Zealand</i>	
22. National income in Australia and New Zealand, fiscal years 1938/39–1946/47	58
23. Summary of factory statistics of Australia and New Zealand, 1938/39 and 1945/46	60
24. Increase in employment in important Australian industries, from 1939 to 1946	61
25. Production and acreage of wheat in Australia, 1938/39–1947/48....	63
26. Foreign trade of Australia and New Zealand, 1938/39 and 1946/47..	64
27. Note circulation, savings bank deposits and wages in Australia and New Zealand, 1939–1947.....	67
28. Indexes of cost of living and wholesale prices in Australia and New Zealand, 1939–1947	68
<i>Asia and Far East</i>	
29. World production and consumption of rubber, 1946 and 1947.....	73
30. Textile production in Japan, 1937–47.....	76
31. Evolution of output of selected industries in Japan, India, Pakistan and China, 1937–47.....	77
32. Percentage distribution by nationality of tonnage of merchant vessels entered and cleared in 1936–39.....	79
33. Pre-war railway facilities in Asia.....	81
34. Railway rolling-stock in Asia, pre-war and 1945–47.....	81
35. Trade of principal Far Eastern trading territories, 1938, 1946 and 1947	84
36. Government budgets	87
<i>The Middle East</i>	
37. Official holdings of gold and foreign exchange in certain countries of the Middle East, 1938, 1946 and 1947.....	92
38. Principal agricultural produce in certain countries of the Middle East, 1939 and 1945.....	93
39. Livestock and raw wool produce in certain countries of the Middle East, 1939 and 1945.....	94

	<i>Page</i>
40. Extraction of main minerals in certain countries of the Middle East..	95
41. Middle East oil production, 1939 and 1946.....	96
42. Refining capacities and crude oil production in the Middle East, 1946	97
43. Turkey's metal industries, production of Karabuk Works, 1942-44..	98
44. Industrial production in certain countries of the Middle East, 1939 and 1945	98
45. Indexes of wholesale prices and cost of living in certain countries of the Middle East, 1939-47.....	100
46. Inter-regional trade in the Middle East, 1939 and 1945.....	103
<i>Africa</i>	
47. Participation of Africa (excluding Egypt) in world trade, 1938 and 1946	105
48. Merchandise balance compared to the value of exports of Algeria, Morocco and Tunisia, 1938 and 1945-47.....	107
49. Quantity of exports and imports of French tropical bloc, French Somaliland and Madagascar-Réunion, 1938 and 1945-47.....	108
50. Exports of timber from Cameroons under French Administration, French Equatorial Africa and French West Africa, 1938 and 1945-47	110
51. Foreign trade of Union of South Africa, Southern Rhodesia, British East Africa and British West Africa, 1939, 1945 and 1946.....	111
52. Exports from the Belgian Congo and Ruanda-Urundi, 1945 and 1946	114
53. Trade between the Belgian Congo and Belgium, monthly averages, pre-war and 1945-47.....	119
54. Direction of commerce of French North Africa, French Tropical Africa and Madagascar, 1938 and 1946.....	119
55. United States exports to and imports from Africa, 1938 and 1945-47	120
<i>Europe</i>	
56. Post-war imports, relief assistance, loans and credits of various Euro- pean countries	125
57. Railway freight traffic in Europe—indexes of quarterly averages of ton-kilometres	129
58. Europe's tonnage of merchant vessels.....	130
59. Indexes of industrial production in Europe—quarterly averages, 1945-47	131
60. Rate of industrial recovery in certain European countries.....	133
61. Indexes of post-war production in selected European countries by industry (Belgium, Czechoslovakia, France, Italy, Norway, Poland, and Sweden	134
62. Steel production (ingots and castings) in Europe, 1937, 1946 and 1947	138
63. Planned expansion of European steel production, 1948-51.....	139
64. Production of electricity in Europe—monthly averages 1938 and 1945-47	141
65. Europe's railway rolling-stock—pre-war, 1945 and 1946.....	142
66. Tractor requirements and production in Europe, pre-war, 1947/48 and 1948/49	144
67. Output, trade balance and consumption of softwood sawn lumber in Europe—1937 and 1946	145
68. Recovery of indigenous production of grains and potatoes in European countries, pre-war and 1944/45-1946/47.....	148

	<i>Page</i>
69. Recovery of indigenous production of fats and meat in European countries, pre-war and 1945/46–1947/48.....	150
70. Numbers of livestock in European countries—1944/45 and 1946/47 as a per cent of pre-war.....	151
71. Estimate of calorie value of daily food intake per capita for total population in European countries, pre-war, 1945/46 and 1946/47..	154
72. Annual per capita consumption of basic foodstuffs in European countries, 1946/47	154
73. Indexes of volume of imports and exports of certain European countries, 1945–47	170
74. Value of imports and exports of certain European countries—monthly average 1937 and 1945–47.....	172
75. Percentage share of Germany in the exports of selected European countries, 1938 and 1946.....	176
76. Europe's trade with the United States, 1938 and 1946.....	178
77. Post-war dollar credits, loans and grants by the United States to European countries, on 15 August 1947.....	183
78. Estimated deficits on current account of certain European countries and of Western Germany, 1947–1948	186
79. External balance on current account of the countries participating in CEEC and of Western Germany in 1948.....	187
80. Import requirements of the countries participating in CEEC and of Western Germany from the American continent in 1948.....	187

PART III

The world food situation

1. Area of selected grain crops in Europe, pre-war average, 1946 and 1947	192
2. Annual production of selected grain crops in Europe, pre-war average, 1946 and 1947.....	193
3. Annual production of rice in principal Far Eastern producing areas, pre-war average, 1946/47 and 1947/48.....	195
4. World consumption of nitrogen fertilizer, 1946/47 and 1947/48.....	200

The European coal situation

5. Annual production of hard coal in Europe, pre-war average, 1946 and 1947	206
6. Annual production of lignite and brown coal in Europe, pre-war average, 1946 and 1947.....	207
7. European net exports and net imports of coal, pre-war annual average, 1946 and 1947	208
8. Annual supply of hard coal in Europe, pre-war average, 1946 and 1947	210
9. Indexes of employment, production and output per man-shift in hard-coal mines in selected European countries.....	212
10. Planned requirements (production and imports) of coal-mining equipment, in selected European countries, 1948–51.....	214
11. Import requirements of coal-mining equipment in selected European countries by supply source, 1948–51.....	215

	<i>Page</i>
12. Forecast of European hard coal production, 1948-51.....	215
13. Preliminary estimate of European hard coal deficit, 1948-51.....	216
<i>The world transport situation</i>	
14. Railway freight traffic in Europe, mid-1947.....	219
15. Tonnage of vessels entered with cargo, average of third quarter 1947..	220
16. World-tonnage of merchant fleets, 1939 and 1947.....	225
<i>World man-power problems</i>	
17. Estimated man-power requirements of certain European countries, by industries	231
18. Man-power requirements of industries other than coal mining, up to the end of 1948.....	232
<i>Progress of economic development</i>	
19. National per capita income, 1938.....	243

EDITORIAL NOTE

This economic report consists of three main parts. It is not a continuous narrative.

Part I, "World Economic Highlights", covers the entire world picture in broad terms, seeking to describe those trends and relationships which today are of causal importance. In doing this it draws freely upon the material in the following parts, but it does not attempt to deal fully with conditions in given areas or with given problems.

Parts II and III may be regarded as consisting of several monographs, grouped according to subject matter, supplementing the general analysis in part I. Part II deals with regional development in the economic field and part III with outstanding world economic problems. Here also certain restatements of basic facts or conclusions are inevitable. In economic affairs neither single problems nor regions can be treated in isolation. A regional approach may throw a different emphasis on certain problems, as compared with other approaches to those problems. As the differences of stress and outlook correspond to differences which frequently arise in the day-to-day discussion of such issues, there has been no striving for an exact identity of emphasis or evaluation.

Part IV is designed to record briefly the activities of the various organs of the United Nations in the field of economic affairs. It, too, supplements part I as a guide to the machinery of international collaboration which now exists and the functions that machinery is performing.

The Chronology serves as a general guide to the events of the period under review.

Because this is to be a periodical publication it has not been thought essential to treat all major countries and subjects exhaustively in this issue. Some sections, therefore, are more general than others; some countries and subjects of major importance have not been taken up at all but it is expected to cover them in later issues of the Economic Report.

Throughout this report frequent references have been made to "surplus" countries, "devastated" countries, and "under-developed" countries—categories which are not mutually exclusive. While in most instances the grouping of countries under these categories is self-explanatory, there are countries which belong to more than one category and had therefore to be arbitrarily assigned to one of these three categories.

For the purposes of this report, certain regional groupings of countries have been made to simplify the presentation of data. It is believed that these groupings will facilitate the understanding of certain major economic tendencies. Such combinations, however, are solely for purposes of exposition and have no other significance whatever.

Throughout this report references to "dollars" are to be read as referring to United States dollars unless otherwise indicated.

A word may be said regarding the scanty data upon which some of the studies presented have been based. Although there has been a steady recovery in statistical services since the end of the war, there is still lost ground to be made up and in many cases much further progress needs to be made if any thorough economic analysis is to be attempted. This paucity of data has handicapped some of the studies here presented.

PART I

WORLD ECONOMIC HIGHLIGHTS

INTRODUCTION

The first twelve to eighteen months after the close of hostilities were months of rapid economic reconstruction and recovery. The period since then was characterized by retardation of economic progress in so many countries that the year 1947 must be regarded as one of frustrated hopes.

Although more than two years have elapsed since the close of hostilities, the world as a whole is producing less than it did a decade earlier while the reduced volume had to meet the needs of a population a tenth larger.

The distribution of the production of this reduced volume of supplies was, moreover, different from that of the pre-war years. Some countries which then were important producers of either manufactured goods or primary products suffered a severe deterioration of their productive capacity during the war, while a few countries greatly improved their capacity to produce and are now almost the sole source of the imports needed for the reconstruction of the war-devastated countries.

In the present world economic situation the fact looms large that the economic potential of the United States of America has enormously increased during the war, while that of many other important production centres has considerably diminished. This shift in the distribution of the world's productive facilities is at the root of the present dollar shortage. The prominent position of the United States is also responsible for the apprehension with which the factors underlying the present level of United States production are being regarded; it is feared that some of these factors may prove impermanent and that any serious declines of production, employment, and income in the United States may have devastating deflationary effects on the economies of other parts of the world.

At present, however, there is considerable inflationary pressure in the world. In most countries this is the result of the extraordinarily high demand in relation to the scarce supply of consumer goods; this high demand is generated by budget deficits, by high net exports, by high rates of private investment, or by the spending of war-time accumulations of liquid assets. The scarcities and the inflationary situations in the several countries have interacted upon one another and have thus tended to spread the inflationary pressures around the globe.

The origins, behaviour and treatment of both inflationary and deflationary processes are better understood today than in the past. In order to create conditions of stability, maintain full employment and promote economic and social progress and development, there may be required drastic governmental action of a kind that in some countries has heretofore not been regarded as appropriate during peace-time. Some Governments have already taken vigorous measures; others are considering such measures; and all Members of the United Nations have pledged themselves to take action for the achievement of conditions of stability and well-being.

This part of the report summarizes the available data on the world supply of goods, international trade and credits, major obstacles to the expansion of world production, and the inflationary pressures in the world today.

THE WORLD'S SUPPLY OF COMMODITIES

WORLD PRODUCTION

The world's population is now greater than a decade ago by almost 200 million or nearly ten per cent, but the world's production of key industrial commodities for which data are available has, in many instances, not yet reached the pre-war level. As much coal, steel and rubber was produced in the world in 1947 as in 1937, but the production of pig-iron was lagging behind pre-war levels. There has, however, been a vast expansion in the production of electric power.

Table 1

INDEXES OF WORLD PRODUCTION OF SELECTED COMMODITIES,^a 1947^b
(1937 = 100)

Fuel and energy ^c	118
Coal ^d	102
Electricity ^d	165
Pig-iron and ferro-alloys.....	95
Steel	101
Copper	99
Lead	82
Zinc	96
Tin	55 ^e
Natural rubber	104 ^f
Cement	100

Source: Statistical Office of the United Nations.

^a The selection of the major commodities shown in this table was determined by the availability of production statistics on a world-wide basis. In all instances the world figures exclude the USSR, data for which are not available.

^b Unless otherwise indicated, 1947 annual rate is based on production during the first nine months of 1947.

^c Coal, lignite, crude petroleum, and hydro-electricity. For the calculations in this table, lignite, crude petroleum and hydro-electricity were reduced to terms of coal by means of constant conversion factors.

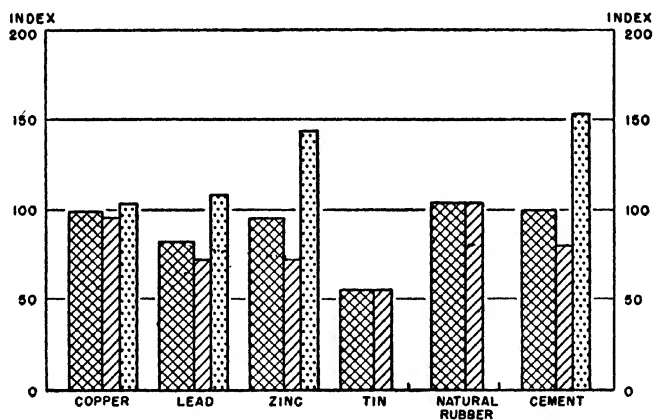
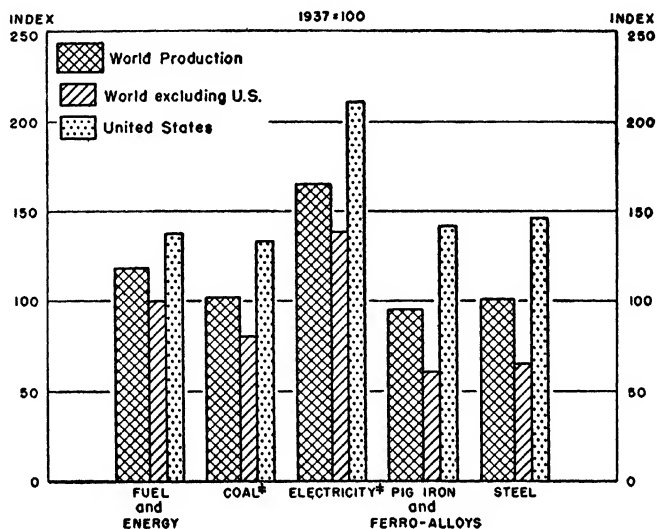
^d Excluding China.

^e 1947 annual rate based on production during the first seven months of 1947.

^f 1947 annual rate based on production during the first eight months of 1947.

World food production increased in 1946/47 over 1945/46, and it had been anticipated that a moderate recovery would continue through 1947/48. Instead, production is slightly below the previous year and seven per cent below pre-war levels. The world food situation is now as critical as at any time since the end of the Second World War.

PRODUCTION OF SELECTED COMMODITIES
WORLD PRODUCTION*, WORLD EXCLUDING U.S., UNITED STATES
1947†



Source: United Nations Statistical Office

* Excluding U.S.S.R.

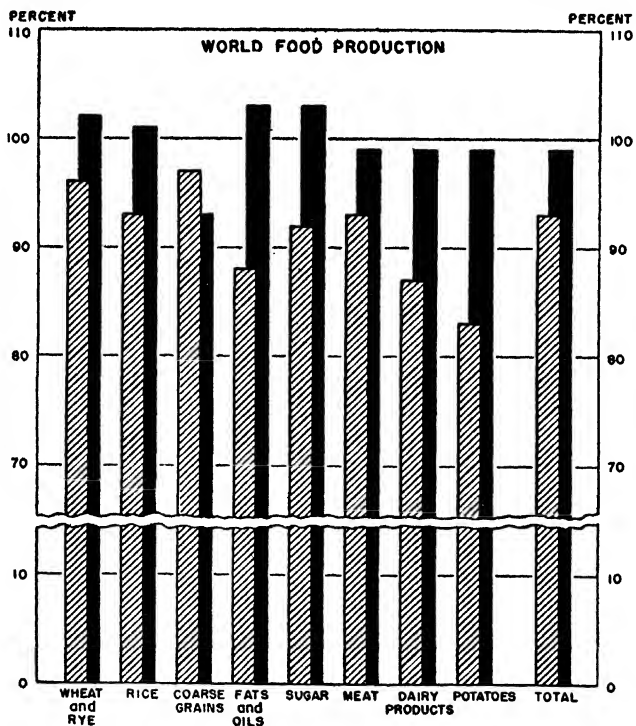
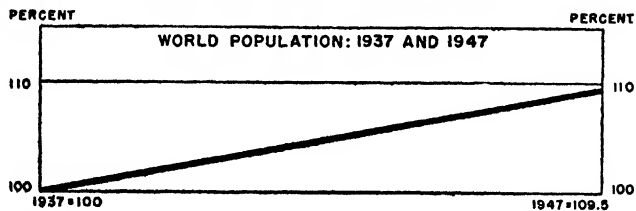
† Excluding China

† First 9 months of 1947

WORLD FOOD PRODUCTION

1947/48 AS PERCENT OF

PREWAR AND OF 1946/47



Source: International Emergency Food Council

Table 2

WORLD FOOD PRODUCTION

1947/48 production as percentage of pre-war^a and of 1946/47 levels

	1947/48 as percentage of	
	Pre-war ^a	1946/47
Wheat and rye.....	96	102
Rice	93	101
Coarse grains	97	93
Fats and oils	88	103
Sugar	92	103
Meat	93	99
Dairy products	87	99
Potatoes	83	99
TOTAL	93	99

Source: International Emergency Food Council, *Report of the Secretary-General to the Fifth Meeting of the Council*, part I, table 1.

^a 1935-1939 average.

Food production had suffered from war devastation in many countries, and its recovery is being retarded by delays in replacement of equipment and by shortages in fertilizers, draught power and quality seed. In many parts of the world the adverse weather of 1946/47 constituted an additional obstacle to the recovery or expansion of food production.

Preliminary estimates of the 1947 crop provide a gloomy picture of the world food position from now until the 1948 harvest. *Per capita* food consumption in general is expected to be two or three per cent below that of last year and nearly ten per cent below pre-war levels. The *per capita* production of bread grains and rice in 1947/48 is thirteen per cent below the average of the years 1934 to 1938. While the world's exportable supply of fats and oils increased from 2.5 million tons in 1946 to 3.5 million tons in 1947, it is anticipated that the European and North American supply of fats will drop in 1948 as a result of a reduction in the volume of animal feed likely to be available in those countries.

Even if the present production of manufactured goods, primary products and food were at pre-war peak levels there would still be serious scarcities. If, moreover, effective demand is maintained in the years ahead, supplies may continue to be inadequate unless deliberate steps are taken, both on national and on international levels, to bring supply into a more adequate balance with needs.

Against this general background of shortages, the geographic distribution of the world's production may be analysed.

GEOGRAPHIC DISTRIBUTION OF PRODUCTION

NON-AGRICULTURAL PRODUCTION

Table 3 indicates the disparity between the growth of non-agricultural production during the last decade in the United States and in the rest of the world, apart from the USSR. In almost all the instances in which world production appears to have reached or exceeded pre-war levels (see table 1) it is owing to the fact that the United States has far surpassed its pre-war position, while the rest of the world is still lagging far behind the position of ten years ago.

Table 3

COMPARISON OF PRODUCTION OF SELECTED COMMODITIES IN THE UNITED STATES, WITH THE REST OF THE WORLD^a
(1937 = 100)

	United States	1947 ^b World excluding U.S.
Fuel and energy ^c	138	100
Coal ^d	133	81
Electricity ^d	211	138
Pig-iron and ferro-alloys.....	142	61
Steel	147	65
Copper	103	96
Lead	108	72
Zinc	144	72
Tin	—	55 ^e
Natural rubber	—	104 ^f
Cement	153	80

Source: Statistical Office of the United Nations.

— Nil.

^a The selection of the major commodities shown in this table was determined by the availability of production statistics on a world-wide basis. In all instances the world figures exclude the USSR, data for which are not available.

^b Unless otherwise indicated, 1947 annual rate is based on production during the first nine months of 1947.

^c Coal lignite, crude petroleum, and hydro-electricity. For the calculations in this table, lignite, crude petroleum and hydro-electricity were reduced to terms of coal by means of constant conversion factors.

^d Excluding China.

^e 1947 annual rate based on production during the first seven months of 1947.

^f 1947 annual rate based on production during the first eight months of 1947.

A more detailed picture of the changes in the production of certain selected non-agricultural commodities in a number of countries is obtained by the analyses made in tables 4 and 5.

Table 4

PRODUCTION OF SELECTED COMMODITIES, BY COUNTRY
1947 production as percentage of pre-war production^a

Coal^b

Per cent	
Under 50	Germany
50- 69	Japan
70- 89	Belgium, Netherlands, United Kingdom
90-109	Canada, Chile, Czechoslovakia, France, Italy, Mexico
110-129	Hungary, India, New Zealand, United States
130-149	Australia, Southern Rhodesia
150-199	Poland, Portugal, Turkey, Union of South Africa
200 and over.....	Brazil

^a Only those countries for which data are available are included in this table. In the case of Germany and Poland, pre-war production for pre-war boundaries and the 1947 production for post-war boundaries.

^b 1947 production based on third quarter 1947 rates. Pre-war production relates to 1937.

Table 4 (continued)

Electricity^b

Under 90	Luxembourg
90-109	Finland
110-129	Belgium, France, Japan, Norway
130-149	Italy, Mexico, Netherlands
150-179	Argentina, Canada, Czechoslovakia, Denmark, Guatemala, Ireland, Portugal, Sweden, Switzerland, United Kingdom, Union of South Africa
180-199	Austria, India, New Zealand, Poland
200 and over.....	Australia, Brazil, Bulgaria, Chile, Colombia, Palestine, United States

Steel^b

Under 50	Germany, Japan
50- 69	Austria
70- 89	Belgium, France, Luxembourg, Sweden
90-109	Czechoslovakia, Hungary, Italy, United Kingdom
110-129	Australia, Poland
130-149	India, United States
150-199	Canada
200 and over.....	Mexico, Union of South Africa

Cotton yarn^c

Under 50	Germany, Japan
50- 69	Czechoslovakia, Poland, United Kingdom
70- 89	Mexico, France
90-109	Belgium
110-129	India, Hungary, Netherlands, United States
130-149	Canada
150-199	Turkey
200 and over.....	Argentina

Woven cotton fabrics^c

Under 50	Japan, United Kingdom
50- 69	Czechoslovakia
70- 89	France, Hungary, Poland
90-109	Canada, India
110-129	Mexico, United States
130-149	Belgium, Portugal
150-199	Chile
200 and over.....	Bolivia

Source: Statistical Office of the United Nations.

^c 1947 production based on the rate of output in the first eight or nine months of 1947. Pre-war production relates to 1937, 1938 or 1939, depending on the availability of data for the respective countries.

Although industrial production in the United States during the third quarter of 1947 stood sixty-three per cent above that of a decade earlier and its output of durable goods had nearly doubled during the same period, it is also evident that significant changes are occurring in the world's distribution of industrial production. The formerly sharp distinction between "industrialized" countries and those producing primary products tends to become more and more blurred. Table 4 indicates that the countries whose production of coal, electricity, steel, cotton yarn and fabrics exceeds pre-war volume include many of the "under-developed" countries of Latin America, the Middle East, Asia and Europe. In the long run these tendencies, especially if supported by deliberate action to promote development schemes, could prove more significant than the present prominence of the United States in world production, which was perhaps to be expected immediately after a period of war devastation in the rest of the industrialized world.

Table 5

WORLD PRODUCTION OF FUEL AND ENERGY, BY AREA^a
1938, 1946 and 1947

	Production			Percentage distribution of production			
	1938	1946	1947 ^b	1937	1938	1946	1947 ^b
	1937 = 100				(Per cent)		
North America ^c	86	128	138	45.6	41.8	54.4	54.5
Latin America ^d	99	164	182	4.3	4.6	6.6	6.6
Europe ^e	99	77	87	40.4	42.8	29.1	29.2
Asia ^e	105	101	108	7.8	8.7	7.3	7.3
Africa	105	164	151	1.0	1.1	1.5	1.4
Oceania	99	121	118	0.9	1.0	1.1	1.0
TOTAL^e	94	107	118	100.0	100.0	100.0	100.0

Source: Statistical Office of the United Nations.

^a Coal, lignite, crude petroleum, and hydro-electricity. For the calculations in this table, lignite, crude petroleum and hydro-electricity were reduced to terms of coal by means of constant conversion factors.

^b Partly estimated. Based on production during the first nine months of 1947.

^c Canada and United States.

^d Mexico, Central and South America.

^e Excluding the USSR, for which data are not available.

The profound changes which are taking place in the world economy are best illustrated by the data on the production of fuel and energy shown in table 5. It is true that the United States and Canada produced more than half of the world's total in 1946 and 1947 and that the output of these two countries rose by more than one-third during the past decade. But the output of fuel and energy of the Latin American countries rose by more than 80 per cent during the same period, and their share in the world's total increased appreciably; to a somewhat lesser extent this was also true of Africa and Oceania.

While Asia, owing to the expansion of production in the Middle East, showed only a small decline in its relative position and Europe was still repairing its war damage and slowly approaching its pre-war production volume, there can be no doubt that as soon as tranquillity can be established in Asia and certain basic improvements can be made to the principal coal and hydro-electric power installations of Europe, the energy production of these continents will rapidly outstrip their pre-war figures.

AGRICULTURAL PRODUCTION:¹

The post-war pattern of food production is also drastically different from that which prevailed in the world before the war. While the world's total food production in 1947/48 was seven per cent below pre-war levels, the greatest reductions in crop production occurred in regions which had large food deficits even before the war. The import needs of these regions have therefore risen sharply. At the same time food production in the world's food exporting countries has greatly increased, although large parts of the additional output are being consumed domestically. The result is that some countries now consume thirty per cent less food *per capita* than before the war, while others consume as much as fifteen per cent more.²

In Europe, crop production was most adversely affected by an excessively severe winter succeeded by an extremely dry summer. The production of wheat, rye, barley, oats, maize, and potatoes in Europe (excluding the USSR and Albania) amounted to 181.8 million metric tons in 1946 and declined to 178.2 million tons in 1947; the pre-war (1934/38) average was 250.2 million metric tons. The only countries in Europe which escaped without serious crop losses, or harvested larger crops in 1946/47, were Bulgaria, Hungary, Roumania, the USSR, and Yugoslavia.

In the Middle East, where 1946 grain production exceeded pre-war levels, production in 1947 declined below the pre-war average.

In the Far East, the 1947/48 output of rice is estimated at 125.3 million metric tons, compared with the pre-war average of 133.9 million tons. However, conditions varied greatly from country to country. In India and Pakistan, at present great deficit areas, the rice crop is estimated to be six per cent below 1946/47 and the wheat crop nine per cent smaller. China had somewhat larger rice and wheat crops in 1947/48 than in the preceding year; Burma and Siam, rice surplus countries, also had better crops, although they were still below pre-war levels; Indo-China, another large surplus country, had a poorer rice crop than in the preceding year.

In the United States, total agricultural production, which had risen during the war to almost thirty per cent above the pre-war level, continued at that high rate. The Canadian wheat crop was unfavourably affected by weather and is estimated to be below the 1946 output by about two million tons. Canadian production of secondary grains was also lower.

The Food and Agriculture Organization of the United Nations estimates that the countries in the temperate zone of the Southern Hemisphere have somewhat improved crop prospects for 1947/48.

¹ For more detailed discussion, see part III, chapter 1 of this report.

² International Emergency Food Council, *Report of the Secretary-General to the Fifth Meeting of the Council*, part I.

Australia expects its next crop of wheat to be about two million tons greater than in the preceding year, and the Union of South Africa expects some increase in grain production, but not enough to meet its own needs. Estimates for Argentina indicate smaller harvested areas of wheat and of secondary grains.

INTERNATIONAL TRADE AND CREDITS

The lack of economic balance in the world is manifest not only in the shortages of supply in the several countries. In international transactions, the unbalance is reflected in unprecedented deficits in the foreign transactions of most countries.

The aggregate value of world exports in 1938 was about \$22,600 million. In the first half of 1947, world exports, including UNRRA deliveries and certain other exports of a non-commercial nature, were proceeding at an annual rate of some \$22,400 million if computed at 1938 prices and \$45,000 million at current prices. World imports represented somewhat higher figures owing to the inclusion in the values recorded by most countries of transport costs up to the domestic frontier.¹ While the dollar value thus almost doubled during the period considered, the dollar prices of the goods entering into trade also doubled and the "quantum" of trade was practically the same as in 1938.

Table 6

VALUE, PRICE AND QUANTUM OF WORLD EXPORTS, 1938-47

	1938 semi-annual average	1946 1st half	1946 2nd half	1947 1st half
<i>(Millions of U.S. dollars)</i>				
<i>Value of world exports of merchandise</i>				
At 1938 prices	11,300	8,800	10,000	11,200
At current prices	11,300	14,700	18,500	22,500
<i>Indexes of world exports (1938 = 100)</i>				
Quantum	100	78	88	99
Dollar price	100	167	185	201
Dollar value	100	130	164	199

Source: Statistical Office of the United Nations.

Comparisons among national trade values are clouded by the fact that certain countries do not publish up-to-date information concerning their external trade and by the difficulty, under existing conditions of largely inconvertible exchanges, of turning values expressed in different currencies into a common measurement without bias. But a rough idea of the trends of trade may be obtained from the following indexes of the "quantum" of the trade of a few countries which compute such indexes.

¹ Compared with 1938, however, the discrepancy between recorded world imports and recorded world exports has declined owing to the omission by most countries from their recorded imports of UNRRA deliveries and certain other Government purchases. Recorded world imports in 1938 amounted to \$25,000 million and in the first and second halves of 1946 and the first half of 1947 to \$14,700, \$19,300 and \$22,900 million respectively.

² A "quantum" index reflects the changes in the value of the goods actually imported or exported computed at the prices obtained in the base year (in the present case, 1938).

Table 7. QUANTUM INDEXES OF MERCHANDISE TRADE OF SELECTED COUNTRIES, 1946 AND 1947^a
Average of first and second half 1938 = 100

	Imports			Exports		
	1946 1st half	1946 2nd half	1947 1st half	1946 1st half	1946 2nd half	1947 1st half
United Kingdom	66	71	72	91	108	102
United States	135	141	134	193	187	255
France	118	106	122	33	54	83
India	57	77	90	56	58	64
Argentina	67	96	131	88	85	77
Australia .....	..	..	..	103	118	94
Switzerland	95	114	139	87	113	112
Norway	55	101	127	58	65	83
Finland	26	35	53	40	43	50
Cuba	118	113	..	143	143	..
Ireland	75	86	106	63	83	55
Hungary	8	24	45	7	23	25
Turkey	51	64	84	55	105	105
Bulgaria	39	83	52	22	49	38

Source: Statistical Office of the United Nations.

.. Not available.

^a Arranged in the order of the total value of their imports and exports in 1938.

In the majority of the countries shown, the quantum of imports has increased, while that of exports has fallen or increased at a lower rate. The difference would undoubtedly have been more evident if more countries had been covered. Among the countries for which no data are available, the most important are Germany and Japan, which have been absorbing considerable imports of foodstuffs and other supplies while their export trade is negligible in relation to what it was before the war.

Only in a few countries have exports risen more than imports. This is true, for instance, of the United Kingdom which has been meeting the heavy pressure on its balance of payments by a considerable reduction in imports and a rise in exports to a level exceeding that of 1938. The most striking increase in exports, however, is that recorded by the United States. In 1938, United States exports already exceeded those of any other country and represented fourteen per cent of the value of all goods entering into world trade; during the first half of 1947, after having risen 2.5 times in quantum and five times in dollar value, they represented a third of world exports. United States imports, on the other hand, stood only a third above their quantum in 1938 which, incidentally, was abnormally low as a result of the heavy impact of the business recession of that year upon the United States.

The effect of the divergent trade movements upon the balance of merchandise trade (computed in dollars at official rates of exchange) is shown in table 8 for a number of trading countries grouped into "surplus", "devastated", and "under-developed" countries.¹

¹ To a certain extent, the distribution of the countries considered among these three groups is arbitrary. Thus, several of the "surplus" countries have recently had a deficit in their current foreign transactions. Also, it may be questioned whether Denmark is a "devastated" country. Certain countries are both "devastated" and "under-developed"; this is true, for instance, of China.

Table 8

IMPORT (—) OR EXPORT (+) BALANCES OF MERCHANDISE
TRADE OF SELECTED COUNTRIES^a
Monthly averages—1938, 1946 and 1947

	1938	1946 1st half	1946 2nd half	1947 1st half	1947 3rd qtr.
	(Millions of U.S. dollars—"Special trade")				
"Surplus countries":					
United States of America	+ 92	+400	+385	+774	+680
Canada	+ 15	+ 28	+ 39	+ 16	+ 16
Australia	+ 1	+ 11	+ 28	+ 13	- 22
Sweden	- 5	- 13	- 24	- 47	- 55
Union of South Africa	- 26	- 32	- 48	..	..
Argentina	0	+ 42	+ 61	+ 22	+ 8
Switzerland	- 5	- 19	- 10	- 25	- 30
New Zealand	+ 1	+ 11	+ 4	+ 9	..
"Devastated countries":					
United Kingdom	-157	-110	-111	-179	-268
France	- 37	-102	- 84	- 84	-102
Belgium-Luxembourg	- 3	- 34	- 53	- 32	- 33
Netherlands	- 17	- 41	- 44	- 75	- 79
Italy	- 3	+ 2	- 3	- 42	..
China: ^b					
Manchuria	- 14	..	..	..	..
Rest of China	- 9	- 30	- 45	- 11	- 13 ^c
Denmark	- 2	- 15	- 28	- 14	- 19
Czechoslovakia	+ 5	+ 2	+ 11	+ 1	- 7
Norway	- 8	- 8	- 26	- 35	- 29
Poland	- 2	- 2	+ 1	..	..
Finland	0	- 2	+ 1	0	+ 5
"Under-developed countries":					
India	+ 4	+ 14	- 3	- 2	..
Brazil	0	+ 22	+ 24	- 13	- 1
Venezuela	+ 6	+ 10	+ 21	..	..
Egypt	- 3	- 9	- 3	..	..
Mexico	0	- 12	- 16	- 24	- 15 ^c
Chile	+ 3	+ 2	+ 2	+ 3	- 3
Turkey	0	+ 6	+ 10	+ 7	..
Colombia	- 1	- 3	- 2	- 13	- 7

Source: Statistical Office of the United Nations.

.. Not available.

^a Within each of the three groups shown, the countries are arranged in the order of the total value of their imports and exports in 1938.

The comparability of the figures for post-war years is affected by varying national practices in the reporting of UNRRA goods and, in general, government purchases and sales.

The balances are computed as the difference between recorded imports and exports. Attention should be paid to the fact that in the case of countries recording imports f.o.b. (the United States, Canada, the Union of South Africa, Venezuela, and Mexico) the balance appears more "favourable" (that is, the export balance is larger, or the import balance smaller) than in the case of countries which record imports on a c.i.f. basis.

^b Excluding trade between Manchuria and rest of China.

^c Average of July and August.

The following figures show the distribution of United States trade by groups of commodities.

Table 9

UNITED STATES MERCHANDISE TRADE, 1938, 1946 AND 1947

	1938	1946	1946	1947
	Semi-annual average ^a	1st half	2nd half	1st half
	(Millions of U.S. dollars— "Special trade")			
<i>Imports:</i>				
Crude materials	288	808	918	917
Crude foodstuffs	130	401	413	515
Manufactured foodstuffs	156	233	270	316
Semi-manufactures	193	413	516	592
Finished manufactures	209	383	462	467
TOTAL	975	2,238	2,580	2,807
<i>Exports:</i>				
Crude materials	304	640	774	849
Crude foodstuffs	125	353	295	428
Manufactured foodstuffs	92	860	664	816
Semi-manufactures	247	441	453	853
Finished manufactures	762	2,333	2,686	4,500
TOTAL	1,529	4,627	4,873	7,446

Source: United States official trade returns.

^a Attention should be paid to the fact that in 1938 United States imports were abnormally low.

The monthly export surplus of the United States in 1946 was more than four times that of 1938. Nevertheless, that surplus was again doubled in the first half of 1947. During the third quarter of 1947 none of the "devastated" countries (except Finland) or the "under-developed" countries, and only Canada and Argentina among the "surplus" countries for which figures are available, showed a "favourable" balance of merchandise trade.

One of the important facts brought out by table 9 is the heavy increase in the export of manufactured products from the first half of 1946 to the first half of 1947. Almost nine-tenths of the increase in total export value during that year was due to semi-manufactures and finished manufactures. While the total quantum of United States exports rose by one-third during the year, the quantum of primary products (including processed foodstuffs) declined; but that of semi-manufactures increased by half and of finished manufactures by nearly two-thirds. The increases took place largely in machinery, automobiles and other durable goods.

It is also of interest, and of considerable importance, that while Europe still absorbs the bulk of the United States export surplus, the positive balances to other continents have recently grown very rapidly, as is shown in table 10.

Table 10

GEOGRAPHICAL DISTRIBUTION OF UNITED STATES EXPORT (+)
OR IMPORT (—) BALANCES, 1938, 1946 AND 1947

	1938 Semi-annual average (Millions of U.S. dollars—"General trade")	1946 1st half	1946 2nd half	1947 1st half
Europe	+380	+1,839	+1,468	+2,444
Latin America	+39	+106	+296	+938
North America	+104	+197	+350	+542
Asia	-26	+242	+194	+460
Africa	+32	+120	+63	+270
Oceania (chiefly Australia and New Zealand)	+39	-16	-51	+38

Source: United States official trade returns.

The bulk of United States imports before the war consisted of raw materials in a volume which varied with activity in United States manufacturing industry. In 1947, however, when the level of United States manufacturing activity was about seventy per cent higher than in the pre-war boom year of 1937, the quantum of United States total imports was below the 1937 level. This phenomenon may be ascribed to the war-time development in the United States of primary, particularly agricultural, production as well as production of synthetic substitutes for articles previously imported (silk, rubber), and the reduction in the supply of finished manufactures from abroad.

SURPLUSES AND DEFICITS ON CURRENT ACCOUNT

In the majority of countries, the trade balance is the chief component of the balance of current transactions. A deficit on current account, accompanied by a corresponding influx of foreign capital, has been a normal phenomenon in many countries over long periods. In the present situation, however, the deficits incurred are unusually large owing to the heavy import balances, and, in the case of certain European countries, to the decline in the income from investments abroad or from shipping and other services rendered. Moreover, the deficits have shown a tendency towards abnormal increase. Since private loans and credits raised on a commercial basis are almost non-existent, the deficit countries have to a large extent had to rely on government credits. Such credits have been very large but they have not been able to prevent a rapid decline in the gold and foreign currency resources of certain countries during 1947.

The official computation of the United States balance of payments, summarized in the table on page 17, indicates a surplus on account of goods and services of \$16,700 million between the middle of 1945 and the middle of 1947. Of this amount, \$6,000 million was supplied in the form of "unilateral transfers", including contributions to UNRRA, while the remainder represents chiefly an outflow of American capital and to an increasing extent the sale of foreign gold holdings. Attention is also directed to the rapid increase in the United States surplus on current account towards the end of the period. During the second quarter of 1947 that surplus exceeded \$3,000 million, or more than

Table 11
INTERNATIONAL TRANSACTIONS OF THE UNITED STATES
Credit (+) or debit (-) balances, 1945-47

Quarter	Goods and services			Capital operations			Errors and omissions
	Merchandise	Interest, services, etc.	Unilateral transfers ^a (Millions of U.S. dollars)	U.S. capital abroad	Foreign capital in U.S.	Gold	
1945:							
Third	+ 1,021	+ 159	+ 1,180	- 817	- 683	+ 278	+ 188 -146
Fourth	+ 1,178	+ 327	+ 1,505	- 884	- 700	+ 27	- 8 + 60
1946:							
First	+ 1,496	+ 283	+ 1,779	- 879	- 390	- 160	- 227 -123
Second	+ 2,099	+ 369	+ 2,468	- 887	- 1,220	- 361	- 31 + 31
Third	+ 1,690	+ 281	+ 1,971	- 783	- 917	- 271	- 77 + 77
Fourth	+ 1,591	+ 324	+ 1,915	- 561	- 768	- 431	- 288 +133
1947:							
First	+ 2,451	+ 222	+ 2,673	- 602	- 3,986 ^b	+ 1,642 ^b	+ 81 ^b +192
Second	+ 2,825	+ 427	+ 3,252	- 624	- 1,664	- 368	- 792 +196
TOTAL from mid-1945 to mid-1947.	+ 14,351	+ 2,392	+ 16,743	- 6,037	- 10,328	+ 356	- 1,154 -420

Source: Based on data published in United States Department of Commerce, *Survey of Current Business*.

^a Bookkeeping entries offsetting deliveries of goods and services (without compensation) recorded in the preceding columns.
^b It will be observed that the International Monetary Fund and the International Bank for Reconstruction and Development are not treated as being within the United States. If United States subscriptions to these international agencies during the first quarter of 1947 are excluded, the items for United States capital abroad, foreign capital in the United States and gold show debit balances during the quarter of about \$1,100 million, \$600 million and \$600 million, respectively.

twice the corresponding quarterly figures during the early part of the period examined.

The active global balances on current account have been less spectacular in other "surplus" countries and have not shown the same tendency to increase rapidly as have those of the United States. In fact, those of Canada fell off rapidly from 1945 on; those of Sweden were replaced by a growing deficit; Argentina has been favoured by the fact that its export prices have risen far more than its import prices, but its surplus on current account, estimated at 1,271 million pesos in 1945 and 1,709 million pesos in 1946, must have fallen off considerably in 1947 with the rise in its imports from the United States.¹ In several other Latin American countries the dollar balances held have also recently been reduced.

The global deficits of each country do not, however, tell the whole story. The strain on the majority of countries is increased by a fact which is not, to the same extent as the exceptional shortages of goods, inherited from the war, since it originates in disturbances in international trade which plagued the world during the greater part of the 1930's.

THE DIFFICULTIES OF MULTILATERAL SETTLEMENT AND CONVERTIBILITY OF CURRENCIES

Until the financial crisis of 1931, surpluses resulting from a country's transactions with certain areas could always be used to meet deficits with others; that is, currencies were freely convertible. The exchange controls instituted during the early 1930's brought the convertibility of certain currencies to an end. Changes in international financial and economic relationships during and after the war have further increased the difficulties of the multilateral settlement of accounts.

Thus, in the *Economic Survey for 1947*, presented by the Prime Minister of Great Britain to Parliament in February 1947² it is pointed out that the British dollar position is much more difficult than would appear from the total balance of payments of that country. The United Kingdom, it is pointed out, cannot use its surplus with the Eastern Hemisphere to meet its deficit with the Western Hemisphere, partly because many of the Eastern Hemisphere countries have no gold or dollars with which to pay and partly because surpluses to certain countries of this hemisphere are absorbed for the payment of debt. The dollar loan of \$3,750 million raised by the United Kingdom in July 1946 was indeed coupled with the obligation of restoring the convertibility of sterling balances arising from current transactions on 15 July 1947. Even before that date a number of steps had been taken by the United Kingdom in preparation for the return to free currency markets. The loan in question and that of \$1,250 million granted simultaneously by Canada had originally been intended to carry the United Kingdom through a transitional period of several years. Actually, four-fifths of the loans were exhausted by 15 July 1947 when convertibility was restored, and the very heavy withdrawals which then resulted from the conversion of sterling balances gained by other countries necessitated

¹The recorded export surplus of Argentina from January to October 1946 amounted to 1,206 million pesos. During the corresponding period of 1947, there was an import surplus of 6 million pesos.

²Cmd. 7046, page 19.

suspension of convertibility on 20 August. The previous tendency in the world towards the relaxation of currency restrictions was reversed. A series of restrictions intended to cut down domestic consumption, imports and other transactions involving currency outlay were introduced in the United Kingdom, and a number of other countries were forced to take similar steps.

In the devastated countries of western continental Europe, production was before the war geared to an export surplus to the United Kingdom which was used for financing net imports from the United States and other non-European countries. The disappearance of Germany as a major exporter of manufactured goods has in some cases turned the balance in "favour" of the United Kingdom; but some countries, for instance Belgium and Italy, have maintained an export surplus with the United Kingdom and were adversely affected by the inability, after the suspension of convertibility, to utilize the surplus for meeting their dollar deficits. Belgium has since the end of the war accumulated over 12,000 million francs in various European currencies (particularly pounds sterling, florins, French francs, and Danish and Norwegian kroner), but its trade deficit with the United States during the first nine months of 1947 exceeded that figure, and Belgium has recently had to liquidate part of its gold holdings.

The typical under-developed countries—at least those outside Europe—were normally net exporters to the United States and frequently net importers from Europe (particularly from the United Kingdom). Owing to their increased demand for capital equipment with a view to economic development and the reduced ability of Europe to export, these relations have at present been reversed and their trade usually results in a deficit with the United States and frequently a surplus with Europe and the sterling area. If that surplus is due in dollars or other "convertible" currency, as is usually the case in Latin American countries, it is likely to be very limited in size, since the foreign importers have little such currency available; if it is due in inconvertible currency, it may well be considerable, but cannot be utilized for financing the deficit with the United States.

The hardships due to lack of convertibility are not confined to the devastated and under-developed countries, but also affect some more developed countries which managed to go through the war with their production facilities practically unscathed or even improved.

A case in point is Canada which, as table 8 shows, has maintained a global export surplus in merchandise trade. The traditional Canadian export surplus to Europe (and the United Kingdom in particular) has only to a certain extent been available for financing the trade deficit with the dollar area. Thus, out of an export surplus of close to Canadian \$1,000 million in 1946 to countries not belonging to the dollar area, three-fourths had to be financed by loans and grants, while a heavy excess of imports from the dollar area could be financed only by the import of United States capital and by a drop of \$263 million in Canada's gold and dollar resources. At the same time, Canada's trade has tended to become increasingly dependent on a triangular settlement of accounts for which the prerequisites appear to have been lacking. As a result, Canada's exchange reserves fell from \$1,245 million at the beginning of 1947 to less than \$500 million in November, at which time stringent restrictions were introduced to curtail imports, particularly from the United States.

The case of Sweden is similar, though that country has actually an increasing global deficit on merchandise, as well as on total current account, since 1945, in which year there was a surplus in relation to soft-currency countries of 714 million kronor. In 1946, the balance of payments surplus with those countries fell to 142 million kronor while the deficit with hard-currency countries, which delivered half of the total imports as against a fourth before the war, rose to not far from 1,000 million kronor. "These trends," it is pointed out in a statement of May 1947 by the Board of Directors of the Bank of Sweden, "would not necessarily have led to the present acute shortage of foreign exchange if the proceeds of Sweden's exports to the European countries could have been used for payments to other parts of the world in the same way as before the war. It would then have been possible to use the proceeds of our export surplus during 1945 to compensate the heavy deficit which developed during 1946 in relation to the dollar sphere." While the Bank of Sweden and the Swedish Treasury have accumulated holdings of inconvertible currencies as a result of export surpluses to the countries concerned, their holdings of gold and convertible currencies (United States dollars and Swiss francs) fell from 2,196 million kronor at the end of 1945 to about 400 million kronor in October 1947. At that time, severe restrictions on certain imports from the United States were imposed and private holdings of hard currencies requisitioned.

Decreases in the official gold and dollar assets have therefore taken place during 1947, not only in countries with a heavy global deficit in their accounts, but also in those with a small global deficit or even with a surplus. Countries such as Belgium, Sweden and the United Kingdom, which during the early post-war period were able to export on credit to certain other European countries, have become increasingly reluctant to do so. Several countries outside the sterling area, both in continental Europe and elsewhere, have become wary of their increased holdings of inconvertible currency. New debit balances incurred have accordingly had to be settled in gold or in dollars to a larger extent than earlier.

In the absence of a functioning network of world-wide multilateral settlement, a considerable number of payments and trade agreements providing for bilateral exchange of goods and services, in some instances allowing for triangular settlement, regulate trade particularly among European countries and between certain European and Latin American countries. During the early post-war period several of these agreements provided for considerable credits by the country with a surplus in the bilateral exchange. With the tightening of the exchange situation, however, such credits have declined as mentioned above. Although the bilateral exchange of goods may involve some shifts in the direction and the composition of trade, it serves the purpose of making the exportable surpluses of countries with inconvertible currencies available for their mutual benefit. To some extent, therefore, the existing framework of trade and payments agreements tends to reduce the dependence of these countries on loans and assistance from the United States and other countries of the dollar area. The planned arrangement for multilateral settlement of accounts among European countries, if successfully carried out, would undoubtedly further reduce their dependence on outside aid.

In the long run, the dollar shortage can be eliminated only through larger oversea purchases of goods and services by the United States. Larger purchases,

of course, depend in the first instance on increased production in the exporting countries, but they also depend on continuing prosperity in the United States and on its willingness to accept imports from other countries.

As from the beginning of 1948, certain countries, including the United States, have agreed to give provisional effect to the tariff reductions they negotiated in the course of the Geneva session of the United Nations Preparatory Committee on Trade and Employment. These tariff reductions may well be expected in due time to increase the net dollar receipts of the non-dollar countries to some extent.

The foreign gold and short-term dollar assets used to finance imports from the United States amounted to about \$1,800 million in 1946 and approximately \$2,300 million in the first half of 1947. "Although some of this use of gold and short-term dollar assets was offset by new gold production, the utilization of monetary reserves at such a rate cannot be continued very long, even to maintain essential imports." Import restrictions and other measures introduced by many countries since the middle of 1947 in order to save hard currency appear to have had only limited effect. Between the end of June and the middle of November 1947, United States gold holdings increased again by close to \$1,200 million, a fact which aggravated the exchange position of other countries.

The price increases in the United States following upon economic decontrol in the middle of 1946 did not seriously check the desire of many countries to acquire United States goods. The heavy net import of these countries, however, has undoubtedly contributed to the further rise in the prices of such goods. This rise, again, has tended to render international credits granted insufficient for their original purposes and has caused them to be exhausted earlier than had been expected.

As this is written a large volume of financial assistance to a number of countries is being considered by the United States Government and by the International Bank for Reconstruction and Development. Immediate "interim aid" is being afforded by the United States Government to France, Italy, and Austria whose liquid resources have fallen to very low levels. However, while new international credits are of importance in the present emergency it is no less necessary that national policies be so shaped as to facilitate and encourage domestic production now and to reduce the tension in international economic relations in the future.

PRODUCTION BOTTLE-NECKS¹

In the interest of improving, or at least maintaining, the present levels of production, it has become urgent to concentrate attention on the stimulation of production of those goods and services—food, fuel, steel, and transport—which are crucial in the production of other essential goods. In certain countries, however, other industries—such as timber and fertilizers—are of outstanding importance and may require special governmental action.

In Europe, the coal shortage is one of the chief obstacles to industrial recovery.² Europe was self-sufficient with respect to coal before the war. With German production only slightly exceeding one-half of its pre-war rate (within

¹ International Monetary Fund, *Annual Report of the Executive Directors* for the fiscal year ending 30 June 1947, page 14.

² For more detailed discussion see part II of this report.

³ See part III, chapter 2.

its post-war boundaries), Europe (excluding the USSR) produced in 1947 only eighty-four per cent of its pre-war output. Excluding Germany, European output was ninety-two per cent of pre-war production. To meet its most urgent needs, Europe must now import high-cost coal from the United States. These imports have not met the coal deficit and it is unlikely that Europe will produce enough coal in 1948 to meet its requirements.

Coal is also the most urgent industrial requirement of India, particularly with regard to its steel industry. Indian coal production averaged 25 million tons per year in 1938/39, rose to 29.5 million tons during the war, but by 1947 had declined by approximately one million tons, mainly because of the difficulty of replacing outworn equipment.

In China the best pre-war output of coal was 41 million tons per year against 18.4 million tons in 1946 and an annual rate of only 15 million tons in the first half of 1947.

The shortage of steel also impedes European recovery. Before the war, Europe produced about forty per cent of the world total. Its output in 1937 was about 56 million tons (excluding the USSR which then produced 18 million tons). The 1947 production in Europe (excluding the USSR) is estimated at slightly over 35 million tons, or sixty-three per cent of the pre-war volume. Before the war, Europe exported considerable quantities of steel and steel products. Apart from Germany, Europe consumed about 32 million tons in 1937 and its present output has almost reached its pre-war consumption. The reconstruction requirements are, however, very high and the planned increase in the 1948 steel output, even if realized, would not meet the needs.

India, which produced 1.6 million tons of pig-iron in 1938, increased its output to a two million ton peak during the war, but its estimated production in 1947 declined to 1.6 million tons. The great possibilities of expansion in the iron industry are limited by shortage of good coking coal.

Shortages of equipment and machinery are practically universal and most seriously affect the devastated areas and the under-developed countries of the world. To cite only a few examples of shortages of equipment which determine to a large extent the rate of industrial recovery or development: lack of mine equipment impedes expansion of coal production and of steel; lack of equipment impedes further expansion in the generation of electric power; and lack of sawmills and logging equipment hampers lumber production.

In the poorly equipped countries of Latin America and Asia, it was inescapable that the production demand associated with the war should increase the wear and tear on plant and equipment, while largely precluding regular maintenance, replacement or repair work. Initially inadequate industrial equipment was called upon to produce far beyond its rated capacity, with the result that there is now an exceptional demand for replacement.

Important industrial developments in India during the war, involving diversion of productive power to meet the demands of the war and considerable overworking of plant and equipment, sharply increased the rate of depreciation of equipment and machinery.

In Europe, softwood for building, packing, transport, and many other uses is scarce. Pit props, essential in the drive for increased coal output, and ties or sleepers are among other items in which shortages are experienced. With the end of the war, oversea trade, particularly in pulp and paper, was reopened so as to obtain food, equipment and other goods in exchange. At the same

time, the pent-up demand for timber for reconstruction within Europe was released. Against this demand for timber, there has been an exceptional drop in available supplies. The normal yield of accessible forests of Europe is no longer sufficient to meet the bulk of European needs, and export from the Americas cannot close the gap for Europe. In general, the capacity of European forests to produce large logs suitable for the manufacture of sawn timber and boards has declined and the pre-war pattern of timber distribution has been disrupted. The USSR, for instance, is absorbing most of its timber output in reconstruction and development within its own borders. Higher domestic consumption, in part caused by the shortage of coal, and the lack of timber-cutting machinery have aggravated the situation in respect of countries which normally have timber surpluses for export.

Serious labour shortages now exist in various parts of the world.¹ Many types of skilled workers are lacking in all countries. While the under-developed countries generally have chronic under-employment, they are also short of technical personnel required for industrialization. In Europe acute shortages of man-power, particularly of coal miners and other skilled workers, are slowing down reconstruction. The general efficiency of labour has suffered because of the loss of skilled and professional workers through German action in occupied countries and the lack of training of the young generation during the war.

The war caused heavy damage and disorder to all means of transport and communication in Asia and Europe, but by the middle of 1947 railway freight traffic in almost all European countries exceeded the pre-war level, though generally at the cost of overtaxing the existing transport equipment.²

In the Far East, the rehabilitation of the transport system has been progressing much more slowly. In many countries of that region internal feuds hinder rehabilitation and development of the transport system. The inadequacy of transport facilities in turn hampers economic reconstruction.

The main factors of an economic and technical nature impeding the rehabilitation and development of transport, both in Europe and in Asia, are lack of rolling-stock and other equipment, spare parts and repair facilities, shortage of fuels, both solid and liquid, and lubricants, and shortage also of skilled workers. In comparison with Europe, the Far Eastern countries are handicapped in present circumstances by not possessing engineering industries capable of producing needed transport equipment which, for lack of requisite foreign exchange, they are unable to import from the industrially advanced countries overseas.

The shortage of rolling-stock is likely to remain a serious bottle-neck in the operation of European and Asian railways for some time, both because of the dollar shortage and in view of the fact that certain types of railway equipment normally obtained from the United States are in short supply in that country.

Among the chief obstacles to the expansion of food production are shortages of fertilizers, machinery, other farm equipment and draught-power. Farm labour shortage has been experienced in Europe and, to some extent, in North America, and the deterioration and depletion of draught-power and machinery in the devastated areas of the world have added to the relative shortage of

¹ For more detailed discussion see part III, chapter 4 of this report.

² For more detailed discussion see part III, chapter 3 of this report.

labour by requiring more hand labour than before the war to produce the same quantity of food.¹ The world shortages of nitrogenous fertilizers are acute. The 1947/48 supply of this type of fertilizer is estimated at 2.6 million tons, against the requirement of 3.5 million tons, a deficit of some 900,000 tons.² Although the current production is estimated to equal that of 1937, this is owing chiefly to the expansion of production in the United States. The world outside of the United States is producing fourteen per cent less than in 1937, largely as a result of the coal shortage. Phosphates and potash are now relatively in good supply. The shortage of fertilizers affects the devastated countries of Europe, Asia and Africa in particular; since they experienced acute shortages of fertilizers during the war, soil fertility has deteriorated and there is a huge demand for commercial fertilizers to rebuild soil fertility and thereby increase food output.

The United States, Canada and the United Kingdom together produced twice as much farm machinery in 1946 as in 1938. The exportable supplies are expected to increase in 1948. Nevertheless, it is unlikely that the requirements of importing countries will be met, partly because of the magnitude of their demand and partly because their exchange position will make it difficult for them to buy the supply that might be made available to them.

The shortages which impede production in the devastated and under-developed areas cannot be entirely overcome by imports, partly because of the world shortage of food and certain other materials and equipment, and partly because of the limited and unevenly distributed supply of hard currencies in which most of these imports have to be paid. Overcoming these shortages will require strenuous and heroic efforts on the part of the deficit countries themselves and a concentration of energies in each country on the activities which are crucial in its reconstruction or development; and these involve not only increased production but also important fiscal, monetary, and economic policies designed to check inflation.

INFLATIONARY PRESSURES

The prevailing inflationary pressure has been described in some detail in a report prepared by the Secretariat of the United Nations.³ This report indicated that these tendencies existed in all parts of the world, in war-devastated countries as well as in under-developed countries, in surplus countries as well as in deficit countries.

In most countries, the inflationary pressures may be attributed on the one hand to the pressure of demand generated by budget deficits, or large net exports, or high rates of private investment, or spending of accumulated liquid assets, and on the other hand, to the scarce supplies of consumer goods. This situation has caused a rise in prices which tends to adjust the demand for consumption goods to the supply by raising profits to the point where the savings resulting from these profits are sufficient to finance the increased investment and government deficits. In the process the relative share of wages in the national income falls and the necessities of life tend to be distributed very

¹ See part III, chapters 1 and 4.

² International Emergency Food Council, *Report of the Secretary-General to the Fifth Meeting of the Council*, pages 46 and 54.

³ *Survey of Current Inflationary and Deflationary Tendencies* (Lake Success, N. Y., September 1947).

inequitably. The resulting efforts by workers to prevent deterioration in their position by wage increases are frustrated by subsequent price increases and thus the inflationary spiral develops. The inflationary process tends further to be reinforced by the speculative hoarding of essential commodities.

Inflation can generally be prevented by monetary and fiscal measures which reduce the requirements for savings or increase the supply of savings at given prices and output. Such measures include reductions in government expenditure, increases in income taxation, and monetary reforms designed to eliminate pent-up demand or to restore confidence in money. However, where inflation cannot be checked by monetary and fiscal measures, direct control of investment and rationing of essential consumption goods may prove necessary. Such measures are frequently difficult to institute for administrative and political reasons. Emergency situations, however, require emergency measures and it appears imperative to try to call a halt to inflation in the world.

The scarcity of food is of strategic importance in the general rise of prices because the repercussions of increases in food prices are considerably different from those of increases in non-food prices. One reason is that a rise in food prices affects the largest part of the expenditures of consumers in the lower income groups, especially of workers, and thus results in demands for wage increases and subsequent additional price increases. Another reason is that a rise in non-food prices tends directly to raise industrial and commercial profits of which a considerable proportion is saved. A rise in food prices, however, tends to increase the incomes of farmers who usually spend a larger proportion of their incomes than would be spent out of business profits. This spending in turn exerts pressure on prices in the non-food sector of the economy and tends to increase profits there. The result is that in the case of food shortages leading to a rise in food prices a greater rise in cost of living and a greater fall in real wages is necessary in order to generate the same amount of savings than in the case of other shortages. A part of the increase in food prices may swell the profits of intermediaries rather than the income of farmers; however, once inflation is in full swing, the profit of intermediaries are not likely to contribute to the required savings, since they are likely to be invested in the hoarding of essential goods.

Another feature of the rise in food prices is that it cannot be properly dealt with by monetary measures designed to control general inflation. Although unbalanced budgets are a major factor in the general inflation in most countries, it must be noted that a budget balanced out of taxes on higher incomes would not materially reduce the pressure on food. The conditions of demand and supply for food would not be significantly changed by such taxes because the higher income groups are not likely to reduce their consumption of essential foodstuffs as a result of the increased taxes. Increased income taxes may, however, make some contribution to the food problem by facilitating the financing of additional food imports either by releasing domestic goods for export or by reducing imports of non-essential goods.

The curtailing of investment, public and private, would not reduce the pressure against the available food supply unless the labour and resources released could be shifted to the production of food or exportable goods in exchange for which imports of food could be obtained. Where this is not the

case, inflationary pressures on food would be reduced by the curtailment of investment only as a result of a reduction of the effective demand of the working population through unemployment.

The inflationary effects of food shortages can thus properly be dealt with only by a tight system of food allocations and controls which not only limit the prices of foodstuffs but ensure an equitable distribution of existing food supplies. Such a system, however, requires that the total supply of essential food is secured at fixed prices through governmental agencies. Most countries found that for various administrative and political reasons only part of the supplies could be secured in this manner while the rest appeared on the free market or leaked through to the black market. However, even such inadequate operation of food controls provides some protection to the lower income groups because the rations constitute a larger proportion of their consumption than in the case of the upper income groups; it cannot, however, solve the problem of inflationary impacts of food shortages.

Both the devastated and the under-developed countries are subject to inflationary pressures and the food shortage has an important bearing on the pressures in both cases.¹

The inflationary pressure in devastated Europe is due mainly to the tendency to consume a higher proportion of national income than before the war. This tendency results from the decline in *per capita* real income, especially as measured in terms of essential consumer goods. At the same time, the requirements for savings are higher in relation to national incomes than before the war and the rate of investment, public and private, is in most cases higher in relation to the aggregate income. In spite of larger capital imports from abroad (net imports of goods and services) the portion of investment to be financed by domestic resources is higher in relation to national income than the pre-war rate. Since taxation is in many instances hardly adequate to cover the administrative budget, it does not in general contribute to meeting the required investment expenditure. Hence the requirements for private domestic savings are higher in relation to national income than before the war.

As food is very scarce in Europe, food prices have tended to increase very sharply and to reinforce the general inflation in the manner indicated above. Several countries have introduced monetary reforms designed to eliminate a large part of the liquid funds accumulated during the war and in this way to curtail effective demand. Attempts have also been made, albeit with varying degrees of success, to reduce the budget deficit. Only a few countries have been able to introduce a really effective system of rationing and thus to prevent or check the inflation in the price of necessities.

As reconstruction proceeds in devastated Europe it can be assumed that food scarcities will gradually decrease and that the inflationary pressure will in turn diminish.

The under-developed countries have not escaped the inflationary pressures of the war and post-war periods. In Latin America the inflationary pressure during the war resulted primarily from a large increase in exports which was not balanced by an increase in imports, but military expenditures by the United States in connexion with the war, governmental expenditures for development projects, investment by foreign companies in export industries, and residential building booms also contributed to the pressure. In India, the initial rise in

¹ For more detailed discussion see part II of this report.

demand during the war was largely owing to budget deficits and to Allied military expenditures.

A contributing factor to the continuation of the inflationary pressure in the under-developed countries after the war is the pent-up demand for investment and consumption goods, supported by a large volume of liquid savings accumulated during the war. A second factor in most countries concerned is the large government deficit caused in part by expenditure for development far in excess of pre-war levels.

The problems faced by under-developed countries in carrying out their plans for development bear a certain resemblance to those faced by industrialized countries where heavy war destruction of capital equipment can be overcome only by heavy capital formation. A large proportion of the population lives on a subsistence level and as the higher income classes also tend to consume a fairly large proportion of their income, projects for development that are financed by domestic means would tend to create inflation. Indeed, in such circumstances a very large increase in the production of consumption goods is required to meet the demand generated by development expenditures without causing inflationary pressure. Such an increase, however, is difficult to achieve in the short run, especially in the case of food.

To counteract the rise in food prices, the under-developed countries will need to give special attention in their development plans to an increase in food supplies. An early expansion of food production, however, is bound to encounter considerable difficulties because it involves social, economic, political, and legal problems which usually take a long time to solve.

Since food rationing is difficult to achieve in most under-developed countries, food imports may be necessary, at least in the first stages of development, particularly in the densely populated countries. To some extent these additional food imports could be financed through a reduction of non-essential imports, but an expansion of exports is likely to be necessary and, as has already been indicated, income taxes may be of help in both these respects. An expansion of exports presupposes, however, not only that the goods will be available for export but that other countries will be willing to expand their imports of these goods. Any remaining deficit on current account would then have to be financed through mobilization of private holdings of gold, foreign exchange and other foreign assets, through the use of accumulated official gold and foreign exchange, or through foreign loans.

Should an under-developed country find all these means insufficient to maintain the desired pace of development and simultaneously to secure the necessary food supplies, it would then be faced with the problem of choosing between imports of food and imports of industrial equipment, or a choice, in other words, between a reduced rate of development and inflation. The degree to which this type of problem is likely to arise will depend on the extent to which a country is able to use control devices for distributing its food supplies equitably among its people.

Even in the "surplus" and food exporting countries, the rise in food prices, especially where war-time price controls were removed, resulted in inflationary pressures which do not yet appear to have reached the peak.¹

¹ For more detailed discussion of economic conditions in Australia, Canada, the United States of America, and New Zealand, see part II of the report.

The United States, which is the most important "surplus" country, has maintained almost full employment since the war, and in some sectors now experiences significant inflationary pressures. The factors contributing to the high level of demand in the United States in the post-war period are (1) the high consumption of durable goods and business investment in plant and equipment and residential construction, resulting from the release of pent-up demand; these expenditures were limited mainly by supply conditions; (2) large net exports resulting from the urgent needs of foreign countries and financed in large part by loans granted by the United States Government; and (3) the rise in inventories, which had been low in relation to sales, to levels approximating the pre-war relationships.

Following economic decontrol in the middle of 1946 there was a considerable rise in profit margins on manufactured goods and a sharp rise in food prices. The rise in the cost of living contributed to the demand for increased wage rates and these, in turn, contributed to a further rise in prices. Average hourly earnings in manufacturing increased by sixteen per cent from June 1946 to October 1947, as compared with a rise of forty-one per cent in the wholesale prices of manufactured products and eighteen per cent in consumer prices. The tendency to restrict consumption of non-durable goods and services, resulting from the shift in the distribution of income, was offset by the increased expenditure on durable goods which was made possible by the improving supply position.

Since present indications are that United States food production in 1948 may fall below the 1947 output, the inflationary pressures may become even more pronounced in 1948 if full employment is maintained and food exports remain at the 1947 level. In his economic report to Congress, the President of the United States stated on 14 January 1948 that unless "well considered regulatory measures" are devised "we stand in great danger that runaway prices, over-extended credit and unbalanced developments will lead to an economic recession. We cannot be sure that such a recession would not be severe and recovery slow and painful". He then went on to list the following three economic objectives for 1948: "The first objective for 1948 must be to halt the inflationary trend. . . . Our second main objective for 1948 should be to maintain maximum employment, achieve maximum production and adjust the price-income structure so as to stop the inflationary spiral without production cutbacks or extensive unemployment. . . . Our third main objective for 1948 should be to establish firmer foundations for the long-range growth and prosperity of our economy in the years ahead."

The post-war trends in other surplus countries such as Canada, Australia and New Zealand were in many ways similar to those in the United States. However, in Australia and New Zealand rationing and price control have been continued to date, with the result that the cost of living increased very much less in those countries than in the United States and Canada. The economic situation in all three countries is also considerably affected by exports to the United States and is thus dependent directly on the latter's continued prosperity.

THE FIELD OF INTERNATIONAL ACTION

The United Nations, the several specialized agencies,¹ and the Member Governments are continually engaged in national as well as international action relating to the economic problems discussed above.

The exceptionally high world demand for goods in 1947 was the result of the needs of reconstruction in war-devastated countries, of economic development of under-developed countries, and of the release of the pressure for all kinds of goods which was pent up during the war. At the same time the actual world supply of most goods was considerably less in 1947 than a decade earlier. The pressure of this demand against the available supply was aggravated by the fact that it was less evenly distributed throughout the world than before the war. In this situation inflation and inflationary pressures have become almost universal, but are most intense in the devastated and in the under-developed countries.

Co-ordinated national and international actions are required which take into account the factors limiting the volume of production in the world. Although these factors may be different in different countries, they tend primarily, to be those limiting the production of food and of fuel. Actions that would result in increased production of fuel and its distribution to the countries where it is most needed would go far to improve the production of most other urgently required goods in the world. But if there may be said to be one area of economic activity in which action is more needed than in others, it is the area involving the production and distribution of food. For some years to come, at least, a shortage of food in the world is likely to constitute a serious obstacle to economic recovery from war destruction and to economic development of under-developed countries, unless actions can be devised which will facilitate increased production of food as quickly as possible and will ensure a better distribution of the food available now, both within and among all countries.

The bulk of the human, natural and financial resources that will be required for an increased volume of production in any country, must necessarily come from that country itself. In the war-devastated and in the least developed countries, however, foreign financing and foreign goods are bound to play an important part in speeding reconstruction and in promoting economic development. In this connexion it may be of interest to note that the Sub-Commission on Economic Development, in its first report to the Economic and Employment Commission, dated 18 December 1947, pointed out that: "If economic development is to progress more rapidly during the next few years, then a larger and better regulated flow of foreign funds than is currently available will have to be promoted by and through international agencies working within the framework of the United Nations."² Co-ordinated national and international action could thus facilitate and accelerate the flow of goods and services from surplus countries to those which urgently require them to rehabilitate, reconstruct, or develop their own production in a manner that would permit the most effective utilization of their resources and so fit them into an "expanding and integrated world economy".

¹ For detailed statements see part IV of this report.

² Document E/CN.1/47, part VI, paragraph 4.

The Sub-Commission quoted above also suggested that the "lending countries assume the special responsibility and take measures to the end that goods are available for export and that they are available at reasonable and fair prices. Borrowing countries have the responsibility of ensuring that the proceeds of foreign borrowing are actually used for the purpose of importing the goods" for which the foreign financing was intended. Concerted national actions designed to keep down prices of goods entering into foreign trade would tend to reduce the cumulative international inflationary effect of high prices.

Both in the interest of promoting "higher standards of living, full employment and conditions of social progress and economic development" as well as in the interest of creating and maintaining world economic conditions which would permit the eventual and orderly repayment of international loans that may now be extended for the purpose of promoting economic reconstruction and development, it is essential that national and international action be considered now, when levels of employment are high in almost all parts of the world, so as to ensure that high levels of employment and economic activity are maintained if it should prove that the factors underlying the existing high levels are impermanent.

¹ Document E/CN.1/47, part VI, paragraph 17.

PART II

REGIONAL ECONOMIC CONDITIONS

Chapter 1

THE AMERICAS

I. THE UNITED STATES

THE SUPPLY SITUATION

The United States came out of the war with a phenomenal increase in productive capacity. The rise of agricultural and industrial production was associated with an expansion of power, trade, transportation,¹ and other sectors of the economy. About sixty million people, serving a large and still increasing productive machinery, turned out record amounts of goods and services.

AGRICULTURAL PRODUCTION

By 1944, agricultural production, both of crops and livestock, had risen in response to war-time needs by more than one-third above the pre-war level. This peak over-all level was maintained in 1947 but there was some shift from livestock production to crops.

Table 1

INDEX OF VOLUME OF FARM PRODUCTION IN THE UNITED STATES, 1944-47
(1935-39 = 100)

	Total farm production	All crops	Crops Food crops	Food livestock
1944	136	128	129	141
1945	133	122	129	141
1946	136	135	144	138
1947*	136	136	148	138

Source: United States Department of Agriculture, *The National Food Situation*, July to September 1947; *The Farm Income Situation*, August to September 1947.

* Preliminary.

This increase in output was accomplished in the face of a decline of agricultural employment. There were only 8.3 million agricultural employees in 1946, as against 9.5 million in 1939. Output was raised by extending, by almost ten per cent, the acreage of cultivated land, by almost doubling the consumption of fertilizer, by increasing the use of farm machinery,¹ by improving cultivation methods and selection of seed, and also by exceptionally good weather.

The table below shows the increase in production, acreage and yield for corn, wheat and oats from 1939 to 1947.

Table 2

PRODUCTION, ACREAGE AND YIELD OF CORN, WHEAT AND OATS
IN THE UNITED STATES, 1939-47

	Volume of production (Millions of bushels)	Harvested acreage (Millions of acres)	Yield per acre (Bushels)
Corn:			
1939	2,581	88.3	29.2
1946	3,287	88.7	37.1
1947	2,459	84.3	29.2
Average 1939-46	2,924	90.2	32.4

¹ The number of tractors on the farms rose from 1.4 million in 1939 to 2.6 million in 1946. The total number of motor trucks increased from 1 million to 1.5 million.

Table 2 (continued)

	Volume of production (Millions of bushels)	Harvested acreage (Millions of acres)	Yield per acre (Bushels)
Wheat:			
1939	741	52.7	14.1
1946	1,156	67.2	17.2
1947	1,407	73.9	19.0
Average 1939-46	958	56.5	16.9
Oats:			
1939	958	33.5	28.6
1946	1,510	43.6	34.6
1947	1,232	38.8	31.7
Average 1939-46	1,260	38.4	32.7

Source: United States Department of Agriculture, *Annual Report of the Bureau of Agricultural Economics and Crop Production*, 1 October 1947.

The number of cattle reached 82.4 million head in 1944, as against 66 million in 1939. In 1945, however, it began to decline and in 1946 it had dropped to 79.8 million. The decrease was largely owing to the unfavourable relationship which had developed between meat prices and the cost of feed, but in part it was also affected by a fear, which has thus far proved unfounded, that the livestock population was excessive in terms of post-war needs. The change in the hog population was similar to that of cattle; from 50 million in 1939, the number of hogs rose to 83.8 million in 1944, but it declined to 62.3 million in 1946.

INDUSTRIAL PRODUCTION

The increase in industrial production was considerably greater than that in agricultural production. In 1947, total industrial production was seventy per cent higher than in 1939. This volume was, however, considerably below the peak which had been attained during the war, because much of the war plant and equipment could not be converted to peace-time use, and industrial employment and hours of work declined.

Table 3
INDEX OF INDUSTRIAL PRODUCTION IN THE UNITED STATES
1939—third quarter 1947^a
(1935-39 = 100)

	Total industrial production	Manufactures		Minerals
		Durable	Non-durable	
1939	109	109	109	106
1944	235	353	171	140
1945	203	274	166	137
1946	170	192	165	134
1947:				
First quarter	189	223	176	147
Second quarter	185	221	169	148
Third quarter	181	211	168	148

Source: Board of Governors of the Federal Reserve System.

^a Monthly average; adjusted for seasonal variation.

The production of the durable goods industries in the third quarter of 1947 was almost double that of pre-war production. This result was achieved despite the difficult problems of reconversion with which many of the industries were faced. Even this large volume of production was, however, insufficient to satisfy the demand, and many items, particularly automobiles and refrigerators, were in short supply. Various bottle-necks, of which the most important was the shortage of steel, prevented the production of durable goods from growing more rapidly. The production of steel, while much higher than before the war, was still insufficient to meet the enormous requirements of the durable goods industries.

The non-durable goods industries were much less affected by the war and by reconversion than the durable goods industries. In contrast to durable goods, whose production was limited mainly by supply conditions during the post-war period, the output of manufactured non-durable goods was limited mainly by demand. The output in the first quarter of 1947 was sixty-one per cent higher than in 1939, or about the same as in 1943. It declined slowly through July 1947, but it has since recovered to the level of the first quarter.

THE DEMAND SITUATION

To examine the sources of the post-war demand for this record output it is useful to divide the post-war period into two parts: before and after decontrol.

THE POST-WAR PERIOD BEFORE DECONTROL

The impact of the Japanese surrender came too soon after V-E Day to permit much change in the pattern of the war economy; major economic adjustments therefore did not take place until the last five months of 1945. Immediately after V-J Day, many war-time controls over man-power, production and distribution were abandoned. Wage controls were revised to permit collective bargaining and increases in wages, provided such increases did not endanger price ceilings.

Major declines in production occurred about two months after V-J Day, mainly in the munitions industries. The reconversion recession in 1945 was in part offset by expansion in industries formerly hampered by short supplies and inadequate labour supply, and by reconversion activities in a large number of plants. Although employment in the durable goods industries declined by over two million, and about 1.5 million persons were released from the armed forces, unemployment increased only by about half a million because of the withdrawal, from the labour market, of many persons who had been drawn into the labour force during the war.

The total labour force continued to decline through the second quarter of 1946, as additional people withdrew from the labour market and some newly demobilized veterans took vacations or went to school. The civilian labour force began to expand, however, with the entry of many veterans into the labour market. Despite the cut in war production, unemployment increased less than did the civilian labour force because total private employment rose. Part of the increase in private employment resulted from the drop in average hours worked per week.

Table 4
DISTRIBUTION OF THE LABOUR FORCE IN THE UNITED STATES
July 1945—second quarter 1946

	July 1945	October 1945 (Millions)	Second quarter 1946
Total labour force	67.5	63.8	60.7
Armed forces	12.1	10.6	3.2
Civilian labour force.....	55.4	53.2	57.5
Employed:			
Government	6.0	5.8	5.7
Private non-agricultural	38.5	37.0	40.4
Agricultural	9.9	8.8	9.0
Unemployed	1.0	1.6	2.4

Source: United States Department of Commerce.

The most important factor in maintaining employment, however, was the high level of gross national product.¹

Table 5
NATURE OF DEMAND FOR THE NATIONAL PRODUCT IN THE UNITED STATES
Second quarter 1945—second quarter 1946^a

	Second quarter 1945	Fourth quarter 1945 (1,000 millions of U.S. dollars)	Second quarter 1946
Government expenditures on goods and services:			
Private product ^b	59.7	23.6	9.8
Wages and salaries.....	36.7	31.9	20.5
	96.4	55.5	30.3
Net exports ^c	-2.6	1.5	6.1
Consumption of durable goods.....	7.4	9.5	13.9
Residential construction	0.6	1.2	3.4
Business investment in fixed capital.....	8.5	11.8	16.9
Consumption of non-durable goods and services	111.3	118.5	124.4
Increase in inventories.....	-1.5	-0.8	2.0
Gross national product.....	220.2	197.1	197.0

Source: United States Department of Commerce.

^a Annual rate; adjusted for seasonal variation.

^b Includes supplements to wages and salaries.

^c Some of the increase in net exports in 1946 is apparent, rather than real, since Lend-Lease operations had been included, during the war, under government expenditures.

It would normally be expected that the decrease in government expenditure evidenced in table 5, especially in private production, would lead to a substantial fall in gross national product. The increase in private expenditure, however, offset the fall to a considerable extent.

¹ In part, employment was also sustained by the work involved in clearing out war equipment and adjusting plants to peace-time production. To the extent to which this work was charged to cost, it does not appear in the gross national product.

The supply situation was improving in 1946, as is evidenced by the substantial increase in the expenditure on consumer's and producer's durable goods and on accumulation of inventories. The demand for these items was nevertheless considerably in excess of supply. For consumer durable goods, the large demand normally associated with high levels of income was reinforced by the accumulated pent-up demand for goods whose production had been eliminated or sharply curtailed during the war. The increase in business investment in fixed capital reflected both the need to reconvert war plants and equipment to peace-time production and the pent-up demand for new plant and equipment which could not be satisfied during the war. The increase in inventory accumulation reflected the increase in output and sales and the need to build up inventories from their war-time lows to levels bearing more nearly normal relationship to sales. Supply conditions, however, kept inventories well below the levels, in relation to sales, that would normally be expected, and even by the second quarter of 1947 they were not yet "normal" in many instances.

The high level of net exports resulted from the urgent post-war needs of foreign countries for imports and their difficulties in expanding exports. Thus total exports of United States merchandise (including Lend-Lease and UNRRA shipments), rose from 3.4 per cent of the gross national product in 1939, to 4.9 per cent in the second quarter of 1946. Imports, on the other hand, fell from 2.7 per cent of the gross national product in 1939, to 2.3 per cent in the second quarter of 1946. The large volume of net exports was made possible through government aid, and thus depended ultimately on policies of the United States Government with regard to assistance to foreign countries.¹

In contrast to the preceding factors, the increase in the level of personal consumption expenditures on non-durable goods and services, which was an important brake on the fall in gross national product, was limited mainly by private demand. The demand for these items rose, both because of a rise in disposable income of individuals and because of a rise in the relation of consumption to disposable income.

¹ For additional detail with regard to United States exports, see part I.

Since the end of the war, the United States Government has furnished aid to many foreign governments, totalling \$13,400 million in various loans and grants from 1 July 1945 to 30 September 1947. Of the total, \$7,900 million was in the form of cash and property credits, while \$5,500 million was in the form of grants for which no repayment is to be made, or for which the question of repayment remains unsettled. During the first nine months of 1947, this aid amounted to \$5,500 million, of which loan programmes provided \$3,900 million, including \$2,750 million of the British loan, and grant programmes provided \$1,600 million.

At the end of September 1947, the amount available under foreign programmes of the United States, but not yet disbursed, amounted to \$3,200 million, including \$400 million on the British loan. If this unexpended balance is added to the post-war aid already utilized, the total foreign aid extended by the United States amounted to \$16,600 million on 1 October 1947.

In December 1947, the United States adopted an additional foreign aid programme of more than \$500 million.

Table 6

GROSS NATIONAL PRODUCT AND DISPOSABLE INCOME IN THE UNITED STATES
Second quarter 1945—second quarter 1946^a

	Second quarter 1945	Fourth quarter 1945	Second quarter 1946
	(1,000 millions of U.S. dollars)		
Gross national product.....	220.2	197.1	197.0
Less:			
Profits before taxes adjusted for inventory valuation	24.2	13.0	17.2
Plus:			
Government transfer payments inclusive of net interest paid by government..	7.7	14.0	15.6
Dividends	4.7	4.9	5.4
Less:			
Other items ^b	34.3	34.7	28.4
Personal income	174.1	168.3	172.5
Less:			
Personal tax and non-tax payments....	21.2	20.3	18.7
Disposable income	152.9	148.1	153.8
Disposable income as per cent of gross national product	69.4	(Per cent) 75.1	78.1

Source: United States Department of Commerce.

^a Annual rate; adjusted for seasonal variation.

^b Sum of (1) capital consumption allowance, (2) indirect business tax and non-tax liability, (3) contributions for social insurance, (4) excess of wage accruals over disbursement, and (5) statistical discrepancy, minus (6) the difference between subsidies and current surplus of government.

Table 7

DISPOSABLE INCOME AND PERSONAL CONSUMPTION EXPENDITURES
IN THE UNITED STATES
1940—second quarter 1946^a

	1940	1944	Second quarter 1945	Fourth quarter 1945	Second quarter 1946
	(1,000 millions of U.S. dollars)				
Disposable income	75.7	146.0	152.9	148.1	153.8
Personal consumption	72.1	110.4	118.8	127.9	138.2
Durable goods	7.9	6.8	7.4	9.5	13.9
Non-durable goods and services	64.2	103.6	111.3	118.5	124.4
Non-durable goods and services as per cent of disposable income	84.8	70.9	72.8	80.0	80.8

Source: United States Department of Commerce.

^a Annual rate; adjusted for seasonal variation. The estimates of the ratio of expenditure to income must be taken with some caution because of the great variation from period to period in the statistical discrepancy between the estimates of the gross national product on the expenditure side and on the income side.

As can be seen from table 6, the increase in government transfer payments represented by discharge benefits to veterans, and the reduction of Federal income taxes, considerably raised the level of disposable income in relation to the gross national product. Moreover, expenditure on non-durable goods and services rose towards the pre-war level in relation to disposable income (see table 7).

During 1945 and through the second quarter of 1946 there was comparative stability in the wholesale price index, with a moderately rising trend in the second quarter of 1946. However, the pressure on the price structure continued unabated. During the first and second quarters of 1946, the rise in the wholesale price index was partly due to increases which were granted to producers of primary products which, in turn, necessitated increases in the prices of finished goods. It was also due to the Executive Order of 14 February 1946 which allowed some wage increases even though prices advanced as a result. These wage increases only partially affected the decline in take-home pay resulting from reductions in overtime, declines in piece-work earnings and the shift of workers from highly paid war-time to lower paid peace-time jobs.

Table 8

INDEX OF WHOLESALE PRICES IN THE UNITED STATES
Second quarter 1945—second quarter 1946
(1926 = 100)

	Second quarter 1945	Fourth quarter 1945	Second quarter 1946
All commodities	105.9	106.6	110.0
Manufactured products ..	101.8	102.2	106.3
Raw materials	117.6	118.2	124.0
Farm products	129.8	130.0	137.7
Foods	106.8	107.4	111.7

Source: United States Department of Labor.

The consumer's price index rose slowly through most of 1945 but began to rise somewhat more rapidly in the first half of 1946.

Table 9

INDEX OF CONSUMERS' PRICES IN THE UNITED STATES
Second quarter 1945—second quarter 1946
(1935-39 = 100)

	Second quarter 1945	Fourth quarter 1945	Second quarter 1946
All items	128.1	129.4	132.0
Food	138.8	140.3	143.3
Clothing	144.7	148.9	155.8
House furnishings	145.4	147.6	153.9

Source: United States Department of Labor.

THE PERIOD SINCE DECONTROL

During the period from decontrol through the second quarter of 1947, important changes took place in the components of gross national product. Some of these changes were due to decontrol, e.g., to the increases in food prices and in profit margins, and some were due to the changing supply situation with respect to consumers durable goods and business investment. These shifts in the components of gross national product, however, took place in such a way as to maintain full employment.

Table 10

DISTRIBUTION OF THE LABOUR FORCE IN THE UNITED STATES

	Second quarter 1946	Fourth quarter 1946 (Millions)	Second quarter 1947
Total labour force	60.7	60.8	61.8
• Armed forces	3.2	2.0	1.1
Total civilian labour force	57.5	58.8	60.7
Employed:			
Government	5.7	5.6	5.4
Private non-agricultural	40.4	43.3	43.9
Agricultural	9.0	7.9	9.1
Unemployed	2.4	2.0	2.3

Source: United States Department of Commerce.

The total labour force remained at about the same level through the end of 1946, indicating that the major adjustment in the labour force to peace-time conditions had already ended. The total civilian labour force was increasing through the last quarter of 1946, and by June 1947 it reached 62.6 millions. Nevertheless, unemployment remained at about the level prevailing prior to decontrol.

Table 11

NATURE OF DEMAND FOR THE GROSS NATIONAL PRODUCT IN THE UNITED STATES^a

	Second quarter 1946	Fourth quarter 1946	First half 1947
	(1,000 millions of U.S. dollars)		
Government expenditures on goods and services:			
Private product ^b	9.8	9.1	9.9
Wages and salaries	20.5	19.1	17.6
	30.3	28.2	27.5
Net exports	6.1	5.2	9.4
Consumption of durable goods	13.9	18.2	18.8
Residential construction	3.4	3.9	4.3
Business investment in fixed capital	16.9	21.0	22.9
Consumption of non-durable goods and services	124.4	136.7	141.1
Increase in inventories	2.0	5.4	2.1
Gross national product	197.0	218.6	226.1

Source: United States Department of Commerce.

^a Annual rate; adjusted for seasonal variation.

^b Includes supplements to wages and salaries.

The gross national product, after having dropped to \$197,000 million (annual rate) in the second quarter of 1946, climbed to \$218,700 million in the fourth quarter and reached \$226,000 million at the end of the second quarter of 1947. Much of this increase can be accounted for by the continued increase in prices, but there were some increases in the volume of consumers and producers durable goods.

From the second quarter of 1946 through the first half of 1947, the three principal increases in expenditures took place in durable consumer goods, in business investment in fixed capital, and in net exports. As in the preceding period, the first two items were limited mainly by the supply situation, because the tremendous backlog of demand for consumer and producer durable goods had still not been fully satisfied. The increase in net exports roughly offset the fall in government expenditure on goods and services in relation to gross national product. It resulted primarily from the large increase in United States exports of goods in relation to the gross national product. Thus total exports of United States merchandise, including Lend-Lease and UNRRA shipments, rose from 4.9 per cent of the gross national product in the second quarter of 1946 to 6.6 per cent in the first half of 1947. Imports of goods, on the other hand, rose only from 2.3 per cent of the gross national product in the second quarter of 1946 to 2.5 per cent in the first half of 1947.

As a result of the rise in prices following decontrol, there was an increase in profits and some decrease in disposable income in relation to the gross national product (see table 12).

Table 12

GROSS NATIONAL PRODUCT AND DISPOSABLE INCOME IN THE UNITED STATES
Second quarter 1946—first half 1947^a

	Second quarter 1946 (1,000 millions of U.S. dollars)	Fourth quarter 1946	First half 1947
Gross national product.....	197.0	218.6	226.1
<i>Less:</i>			
Profits before tax, after adjustment for inventory evaluation	17.2	18.8	22.8
<i>Plus:</i>			
Government transfer payments, inclusive of net interest paid by the government.....	15.6	14.3	14.7
Dividends	5.4	5.9	6.3

^a Annual rate; adjusted for seasonal variation.

Table 12 (continued)

	Second quarter 1946 (1,000 millions of U.S. dollars)	Fourth quarter 1946 (Per cent)	First half 1947
<i>Less:</i>			
Other items ^b	28.4	32.5	32.7
Personal income	172.4	187.5	191.6
<i>Less:</i>			
Personal tax and non-tax payments.....	18.7	19.5	21.3
Disposable income	153.7	168.0	170.3
Disposable income as per cent of gross national product	78.0	76.8	75.3

Source: United States Department of Commerce.

^b Sum of (1) capital consumption allowances, (2) indirect business tax and non-tax liability, (3) contributions for social insurance, (4) excess of wage accruals over disbursements, and (5) statistical discrepancy, minus (6) the difference between subsidies and current surplus of government.

Nevertheless, consumer expenditure did not decline in relation to the gross national product because expenditure on durable goods rose as a result of the improved supply conditions, and expenditure on non-durable goods and services rose in relation to disposable income.¹

Table 13

PERSONAL CONSUMPTION EXPENDITURE, DISPOSABLE INCOME AND GROSS
NATIONAL PRODUCT IN THE UNITED STATES
Second quarter 1946—first half 1947^a

	Second quarter 1946	Fourth quarter 1946 (Per cent)	First half 1947
Consumption of non-durable goods and services as per cent of disposable income.....	80.8	81.4	82.8
Consumption of non-durable goods and services as per cent of gross national product..	63.2	62.5	62.4
Consumption of durable goods as per cent of gross national product	7.1	8.3	8.3
Total consumption as per cent of gross national product	70.3	70.8	70.7

Source: Based on tables 11 and 12.

^a Annual rate; adjusted for seasonal variation.

¹ Decontrol also resulted in an increase of farm, relative to non-farm, prices and raised farm income in relation to the total. This relative shift in income from the urban to the farm population was, however, quite small. (Farm income was 9 per cent of disposable income in the second quarter of 1946 and rose to 10.3 per cent in the second quarter of 1947.) Despite this shift, the ratio of consumer expenditure on non-durable goods and services to disposable income rose slightly, as is shown in table 13.

The changes in prices following decontrol, the effects of which on the gross national product have just been considered, are shown in the table below. All prices increased very rapidly, with wholesale prices rising more steeply than retail prices. From the second quarter of 1946 to the second quarter of 1947, wholesale prices of manufactured products rose 33.4 per cent and of raw materials 28.7 per cent.

The major increase was registered in food (31.7 per cent) and, especially, in meat (55.8 per cent), where the supplies were inelastic.

Table 14
INDEX OF CONSUMERS' PRICES IN THE UNITED STATES
Second quarter 1946—second quarter 1947
(1935-39 = 100)

	Second quarter 1946	Fourth quarter 1946	Second quarter 1947
All items	132.0	151.4	156.4
Clothing	155.8	171.9	185.2
Food	143.3	184.5	188.7
Fuel, electricity and ice.....	110.4	114.9	117.9
House furnishings	153.9	172.2	182.3
Rent	108.5	108.8	109.2
Miscellaneous ^a	127.3	133.2	139.1

Source: United States Department of Labor.

^a Includes cost of transportation, medical and personal care, recreation, and household operations.

Part of the increase in food prices was caused by the removal of subsidies paid by the Government, but by far the most important reason was the increase in domestic demand, resulting from the elimination of rationing, and the large foreign demand, resulting from world food shortages. The rise in food prices contributed to the demand for increased wage rates and these, in turn, contributed to the rise in prices of manufactured goods. In the process, wage rates fell behind prices, reversing a trend which prevailed in the initial period from V-J Day until decontrol. Average hourly earnings in manufacturing increased 12 per cent during this period, compared with a rise of 33 per cent in the wholesale prices of manufactured products and 18 per cent in consumer prices.

In the third quarter of 1947, the gross national product rose by about \$3,200 million per annum over the second quarter, but the increase in physical production was negligible. Net exports declined about \$2,800 million per annum, as a result of the world dollar shortage. Small increases in government expenditure, domestic investment and expenditure on consumer durable goods offset this decline. In addition, there was an increase in consumer expenditure on non-durable goods and services, of about \$3,300 million per annum, which lifted the gross national product above the level of the second quarter. This increase was associated with a rise in disposable income of individuals, attributable mainly to increases in wage rates and the cashing of veterans' terminal leave bonds. The resulting rise in consumption was smaller than might otherwise have been expected because the bond cashing came too late in the quarter to contribute significantly to expenditure.

Table 15

GROSS NATIONAL PRODUCT AND ITS COMPOSITION IN THE UNITED STATES
First quarter—third quarter 1947^a

	First quarter (1,000 millions of U.S. dollars)	Second quarter	Third quarter
Government expenditure on goods and services.....	27.4	27.5	28.2
Net exports	8.3	10.5	7.7
Consumption of durable goods.....	18.5	19.2	19.9
Residential construction	4.4	4.1	4.8
Business investment in fixed capital.....	22.3	23.5	23.6
Consumption of non-durable goods and services....	139.5	142.8	146.1
Increase in inventories.....	2.7	1.5	2.0
Gross national product.....	223.1	229.1	232.3
Disposable income	169.7	170.9	178.7

Source: United States Department of Commerce.

^a Annual rate; adjusted for seasonal variation.

Prices continued to rise to the end of 1947. According to the latest data available in December 1947, the index of consumer prices rose 3.4 per cent from July 1947 to October 1947. This upward pressure on prices is likely to continue in 1948, especially in the food sector, if full employment is maintained. This depends on the following factors.

During 1948 some decline may be expected in the rate of inventory accumulation as stocks approach "normal" levels in relation to sales in most industries. This decline would probably be offset, however, by a rise in expenditure on automobiles and residential construction, as the supply position continues to improve.

The key factor in the situation appears to be the level of net exports. The Council of Economic Advisers, in its report to the President of the United States in October 1947, estimated that "it is unlikely that our export surplus (including government foreign assistance¹) in the latter part of next year, in the absence of a foreign aid program, could exceed an annual rate of 4 to 5 thousand million dollars, including aid already authorized. This contrasts with the 13,000 million dollar rate that prevailed in the second quarter of 1947 and the estimated current² rate of about 10,000 million dollars."³

To the extent that the decline in net exports would release materials, the short supply of which has thus far hampered production, there would, of course, be some offsetting increase in domestic consumption or investment. Nevertheless, such a large reduction in net exports would raise many problems. Thus the Council states:

"Such a reduction in the export surplus would take place gradually over a number of years, even if a new aid program were authorized. But it would have to be telescoped into a very short period in the absence of a new aid program. The rapidity of the decline in the latter event would require equally rapid adjustments in the domestic economy if maximum employment and production were to be maintained. The more rapid adjustment would be

¹ In the preceding tables, government foreign assistance was excluded from net exports and included in government expenditures.

² Third quarter, 1947.

³ Report to the President, page 30.

ragged, and would probably require special programs, but it could be accomplished.”¹

II. CANADA

PRE-WAR AND WAR-TIME DEVELOPMENTS

In proportion to population, Canada has rich and varied natural resources, spread over a wide area. In addition to being a principal supplier in the world market of primary products such as wheat, timber and ores, the country has a considerable manufacturing capacity. Before the war, Canada accounted for only 0.5 per cent of the world's population, but for 2 per cent of its manufacturing industry and 3.5 per cent of international trade. About a quarter of the net national product was normally exported, but certain major industries depended almost wholly upon external sales. The news-print industry exports about nine-tenths of its product.

During the Second World War, Canada became a principal source of supply of foodstuffs, raw materials and munitions for the Allies. Canadian production and export of these supplies was very substantially increased as a result of war orders from the United Kingdom, the United States and other Allies. The value of farm products exported from Canada during 1945 was nearly four times the total exported during 1939, the most spectacular increases being in meat and wheat. Equally striking, and perhaps more important in the long run, was the development of manufacturing industries. During the war, production became more diversified and more integrated with that of the United States. In particular, the shipbuilding, aircraft, automobile, chemical, and iron and steel industries were rapidly expanded to meet war demands, with the result that the net volume of production in manufacturing industries in 1944 was estimated to be more than twice that of 1939. In 1944, the volume (quantum) of exports, excluding agricultural, vegetable and animal products, from Canada was over two and a half times the quantum in 1939. The number of people at work increased from 3.7 million in June 1939 to 4.3 million during the last few months of the war, of which number, 0.9 million were directly engaged in war production. This increase took place simultaneously with the engagement of over 0.7 million persons in the armed services.

From 1940, the net value of manufacturing production exceeded that of primary production.

Table 16

NET VALUE OF PRODUCTION IN CANADA
1938, 1940 and 1943

	Primary	Total	Secondary ^a Manufacturing
	<i>(Millions of Canadian dollars)</i>		
1938	1,460	1,714	1,428
1940	1,805	2,261	1,943
1943	2,481	4,255	3,816

Source: Department of Trade and Commerce, *Canada Year Book*.

^a Besides manufacturing, "secondary" production includes construction, repair, etc.

The war production programmes in Canada were conducted under a regime of strict price and wage controls. In spite of large and continuing budget deficits throughout the war years and a doubling of the money supply, the

¹ Report to the President, page 30.

official cost of living index registered a rise of only fifteen per cent from the outbreak of the war until 1945.

In relation to the population and wealth of the country, the proportion of expanded war output which Canada contributed to the Allies was substantial. The total surplus on current account in the balance of payments during the years 1940 to 1945, inclusive, was \$5,688 million.¹ Of this total, \$3,388 million represented mutual aid; \$950 million, net loans and advances by the Canadian Government to the Government of the United Kingdom and other countries; and \$133 million, contributions to the United Nations Relief and Rehabilitation Administration (UNRRA) and other official relief agencies. In addition, Canada acquired large resources in gold and United States dollars through the sale of securities, as well as through heavy exports to the United States after 1941.

The external economic relations of Canada had undergone, by the end of the war, a significant change from the pre-war pattern. Imports had doubled in value but exports had quadrupled. Official gold and United States dollar holdings at the end of 1945 amounted to \$1,508 million as against \$393 million at the outbreak of the war in 1939. The indebtedness of other governments to the Canadian Government, which was negligible in 1939, had risen to nearly \$1,400 million at the end of 1945. The geographical distribution of foreign investments in Canada had undergone an important change: United States holdings of Canadian securities had increased by nearly \$500 million, while nearly \$1,000 million of Canadian securities previously in British hands had been repatriated.

RECONVERSION

As the following indexes show, the volume of manufacturing and mining has suffered a substantial setback since the war. Agricultural and forestry production, on the other hand, has increased, and domestic trade has expanded, not only in value but also in volume.

Table 17

INDEXES OF ECONOMIC ACTIVITY AND PRICES IN CANADA, 1945-1947
(1935-39 = 100)

	1945		1946		1947		
	Jan.	July	Jan.	July	Jan.	July	August
Volume of manufacturing ^a	274	249	203	181	196	192 ^b	188 ^b
Mining ^a	174	161	120	155	158	158 ^b	153 ^b
Forestry ^a	117	125	138	143	160	..	..
Employment ^a	172	158	161	156	166	174	178
Retail sales (dollar value).....	143	171	160	195	181	217	..
Wholesale prices	134	135	137	141	148	168	171
Cost of living.....	119	120	120	125	127	136	137

Source: Canada Department of Trade and Commerce, *Monthly Review of Business Statistics*.

.. Not available.

^a Adjusted for seasonal variations.

^b Figures of a new series which are linked to the series previously employed, on the assumption that the relation between the two series remained the same as in January 1947.

¹ Unless otherwise specified, the monetary unit referred to throughout this section is the Canadian dollar.

The reconversion of the Canadian economy from war to peace-time production may be said to have begun towards the end of 1945 and to have been largely completed by the end of 1946. The proportion of the net national income arising from military pay and allowances, which was less than one per cent in 1939 and over eleven per cent in 1945, fell to three per cent in 1946. As a consequence of the cancellation of war orders, employment in manufacturing industries began to decline in the autumn of 1945, and early in 1946 employment was substantially reduced in iron and steel, non-ferrous metals and chemical industries. During 1946, however, the trend of manufacturing employment was reversed and by the end of the year the total of such employment was greater than at the end of 1945. Employment in manufacturing since the end of the war has not followed the downward trend of the volume of manufacturing production. This fact may be owing to reduced work on overtime and possibly to a real or apparent reduction in the productivity of labour, connected with labour disputes and the reorientation of production. Industrial reconversion has been accompanied by a shift in employment from the heavy to the light industries, such as those processing food and producing leather, pulp, news-print and other paper. Even farm employment rose in 1946, though not enough to offset the loss of about 200,000 male agricultural workers during the war.

Although unemployment resulted both from the pressure of demobilization at the beginning of 1946 and from the shift of about one million people from the production of war goods to peace-time fields of activity, at no time during that year did it exceed five per cent of the civilian labour force. With the steady rise in employment during 1947, labour shortages have occurred in certain branches of industry.

To some extent, reconversion has been checked by shortages arising from labour disputes and the lack of imports; bottle-necks in transport, power and building materials; and the unequal incidence of price controls. On the whole, however, the transition has been speedy and effective.

The speed of reconversion was no doubt partly due to the pressure of an accumulated demand for civilian goods which were scarce or unobtainable during the war. This pressure was sustained by the expenditure of consumer savings and bank balances accumulated during the war, by the demand resulting from income from goods produced for export on credit, and by the large amount of private investments which occurred in 1946 as a consequence of the conversion of plants to peace-time uses, new construction and the reconstitution of inventories. The change in the constitution of gross national expenditure illustrates these tendencies:

Table 18

GROSS NATIONAL EXPENDITURE IN CANADA, 1938, 1944-1946				
	1938	1944	1945	1946
Government expenditure:*	<i>(Millions of Canadian dollars)</i>			
War-goods and services, excluding mutual aid, etc.	36	3,410	1,876	672
Mutual aid, UNRRA and military relief	0	960	1,041	187
Non-war	685	735	841	974

* Excludes foreign investment and changes in the Wheat Board Inventory, but includes expenditure on capital goods.

Table 18 (continued)

	1938	1944	1945	1946
	(Millions of Canadian dollars)			
Gross investment at home: ^b				
Plant, equipment and housing....	576	756	865	1,241
Inventories (minus sign signifies decrease)	7	-83	-294	475
Personal expenditure on consumer goods and services ^c	3,714	6,235	6,782	7,495
Exports of goods and services.....	1,359	3,566	3,576	3,170
Imports of goods and services.....	-1,257	-3,539	-2,895	-2,850
Residual error of estimate for reconciliation with estimates of gross national product	+21	-220	-178	+53
Gross national expenditure at market prices	5,141	11,820	11,614	11,417

Source: Canada Department of Trade and Commerce, *National Accounts, Income and Expenditure, 1938-1946*.

^b With respect to inventories, the change in reported value is generally used; the current value of the physical change is used only in the case of commercial grain and farm inventories.

^c Includes expenditure of Canadians temporarily abroad (tourists, members of the armed forces, etc.) and excludes expenditure of foreign residents temporarily in Canada.

PRESENT PROBLEMS

Canada's economic position is relatively strong. Productive equipment is larger and more efficient than ever before, while production is on a high level, with the labour force fully employed. Nevertheless, economic changes during the past year have not all been favourable, and certain weaknesses have become evident.

One symptom of maladjustment is the rise in prices, which may be observed from the data in table 17. Decontrol got under way from the middle of 1945, and by the end of 1946 there were only a few restrictions on the use of raw materials and the distribution of final products. In addition, wage controls had been lifted. Many important subsidies had been reduced or dropped altogether and the prices of many hundreds of essential commodities had been decontrolled. The restoration of budgetary surpluses helped to check the expansion of demand. The success of the measures taken by Canada depended, however, on economic changes elsewhere and hence were outside the Government's control. In particular, Canada's economy was threatened by the rapid rise in prices in the United States, from the middle of 1946. In December of that year, United States wholesale price and cost-of-living indexes exceeded those at the end of the war by thirty-three per cent and eighteen per cent, respectively, while the corresponding increase in the Canadian indexes was only about eight per cent and five per cent. The upward pressure on Canadian prices had been mitigated to some extent by the restoration to parity in July 1946 of the Canadian dollar, involving an increase of a tenth in exchange value. United States prices continued to rise, however, and in the early part of 1947 there was a pronounced upward trend of Canadian prices.

The threat of inflation is related to balance of payment difficulties. These difficulties are due to the lack of triangular settlement, since Canada's balance on current account with the rest of the world, taken as a whole, has in recent years resulted in large surpluses. Canada's dependence upon triangular trade dates from the 1890's when an import balance from the United States began to develop simultaneously with export balances to Europe. In 1944 and 1945 there was an exceptional surplus on current account with the United States; but by the end of the war the traditional pattern of trade reasserted itself. In 1946 there was a deficit on current account with the United States of about \$600 million but a surplus with other countries, chiefly those within the sterling area, of \$954 million, not including exports financed by mutual aid and similar appropriations.

Table 19

BALANCE ON ACCOUNT OF CURRENT TRANSACTIONS OF CANADA WITH OTHER COUNTRIES^a

(Millions of Canadian dollars)

With United States.....	-603
With other countries	+954
United Kingdom	+495
Other sterling areas.....	+162
Rest of world.....	+297
<hr/>	
Total transactions	+351

Source: Based on Foreign Exchange Control Board, *Annual Report to the Minister of Finance for the year 1946*.

^a Excluding deliveries on account of mutual aid and relief.

Of the surplus with "other countries" of \$954 million, \$750 million was financed by Canadian credits and advances, since the importing countries were unable to pay in dollars. Between the end of the war and the beginning of 1947, Canada had made credits amounting to about \$1,850 million available to its chief customers; of this sum forty-six per cent had been drawn upon by the first part of 1947. These "unrequited exports", which have helped to keep economic activities and incomes in Canada on a high level, have had a direct inflationary effect and have contributed to an increasing demand for United States products.

The net deficit with the United States in 1946 was met in part by the liquidation of Canadian holdings of gold and United States dollars. In the *Annual Report for 1946* (dated February 1947) of the Bank of Canada, it was pointed out, however, that "Canada cannot continue indefinitely to sell on credit in overseas markets while she is incurring a substantial deficit on her balance of payments with the United States".

The adverse balance with the United States continued to increase during 1947, partly as a result of arrangements rendering current receipts of sterling convertible into dollars. During the first nine months of the year, the trade deficit with that country rose to \$718 million, as against \$339 million (U. S. \$323 million) during the corresponding period of 1946. When sterling balances could no longer be converted into dollars, however, the situation became untenable and a wave of purchases from the United States occurred in anticipa-

tion of restrictions. In October and the early part of November, imports rose to a very high level. The reserves of gold and United States dollars held by the Foreign Exchange Control Board of the Bank of Canada and by the Dominion Government fell from \$1,245 million at the beginning of 1947 to \$480 million at the end of November. In the course of that month, drastic restrictions on imports from the United States and on travel by Canadians in that country were imposed and some price controls were re-established. A credit of \$300 million was obtained from the United States Export-Import Bank of Washington.

In the long run, Canada's exchange difficulties are likely to be alleviated, particularly if the trade agreement recently concluded with the United States, which involves considerable mutual tariff concessions, should result eventually in a reduction of the traditional import surplus with the United States. It may be pointed out that while the United States succeeded during the war in increasing considerably the production of primary goods, that country tended over longer periods to become increasingly dependent upon external supplies of such goods. Canadian supplies to the United States have traditionally included large amounts of mineral and forestry products, and in recent years foodstuffs as well. In this connexion, mention should be made of Canadian gold production which, after having reached a peak in 1941 when its value was \$206 million, was sharply reduced in the following years. Production may be stimulated, however, by a recently established subsidy. Finally, imports of capital goods, for which Canada depends preponderantly on the United States, may decline after the present period of rapid industrial transformation.

III. LATIN AMERICA¹

INTRODUCTION

The predominant characteristics of the economies of the Latin American countries remain substantially the same as before the war. There has indeed been a heightened rate of industrial and economic development and, as was the case after the First World War, it is clear that some among these countries have moved towards a stage of more extended industrialization, with a corresponding strengthening of their economies. However, the Latin American countries still have some two-thirds of their aggregate population directly dependent upon agriculture, with the greater part of this population engaged in subsistence agriculture despite a substantial production for export. Latin America continues to be a net exporter of foodstuffs although many individual countries are still food importers.

Mining remains the second most important economic activity, less because of the labour force employed, for this is extremely small, than because this single activity contributes some forty per cent of the region's total exports.

The structure and type of industry, as well as its rate of expansion, varies widely from one country to another. While Central America remains virtually without industries, countries like Argentina, Brazil, Chile, Cuba, Mexico, and Uruguay have achieved an appreciable degree of industrialization. In the

¹ This section contains a brief general survey of the economic situation in Latin America as a whole. More detailed studies of economic conditions throughout Latin America, now under preparation, will be published in subsequent issues of the *Economic Report*.

more developed countries, these industries are sufficient to supply local needs for basic consumption goods, although often dependent on imports of raw materials and semi-manufactured goods.

Food consumption has increased somewhat over pre-war levels, but it is evident that this increase is far from evenly distributed and that large sections of the population still have less than adequate diets. Since population growth throughout the region is high, the total population having increased from an estimated 130 million in 1939 to an estimated 150 million in 1947, it is clear that substantial progress in food production is essential if standards are to be maintained. Nevertheless, with scattered exceptions, agriculture is backward and, in general, is carried on without either modern tools or techniques.

Latin American governments generally are giving great attention to extensive plans for economic development which, in many cases, are directed to intensified industrialization, including expanded power production. The objectives of these plans have yet to be achieved, but there is growing activity in a number of industries and a corresponding expansion in the range of domestically produced commodities.

In foreign trade there has been no significant change in the types of goods exported, although efforts towards a greater diversification of output occupy many governments. There has, however, been a substantial shift in the destinations of Latin American exports, and the trading ties between these countries and the United States have been strengthened. More recently, European markets, closed during the war years, are again becoming active; but price and exchange difficulties have limited this development.

As in all under-developed countries, the Latin American governments are seeking not only to restore, but also to improve their industrial position. In this endeavour they are handicapped by the universal shortages of manufactured goods, especially capital goods. The foreign exchange resources accumulated by the Latin American countries during the war have been expended more rapidly than was anticipated, but since exports continue on a substantial scale it should be possible for many of these countries to carry out their plans, although probably at a reduced pace.

AGRICULTURE AND FOOD SUPPLIES

Agricultural production advanced during the war years throughout Latin America and this expansion has been continued during the post-war years. The most important exception to this was the Latin American wheat crop, which fell from the pre-war level of 8 million metric tons to only 5.9 million metric tons in the crop year 1945/46, but recovered to the pre-war level in 1946/47. Wheat exports were correspondingly low in 1946, and in 1947 are expected to reach only 2.3 million metric tons, as compared with the average of 3.3 million metric tons during the years 1935 to 1939.

To make up for the absence of rice imports from Asia during the war, most Latin American countries greatly increased their own production. Not only did they achieve self-sufficiency, but Latin America as a whole emerged as a net exporter of rice. Rice production in 1946/47 was about 5.4 million metric tons, compared with the pre-war average of 2.9 million metric tons.

Barley, rye and oat crops were larger in 1946/47 than in the preceding year as a result of larger sowings and favourable weather. Potato production in

1946/47 amounted to 3.5 million metric tons and was therefore slightly better than 1945/46 production and substantially above pre-war production of 2.3 million metric tons.

The total Latin American production of maize increased from the 1935 to 1939 average of 17.4 million metric tons to some 20 million metric tons in 1946/47. Despite the increase, exports by Argentina, the principal exporter, were only 2.2 million metric tons in 1946, compared with a pre-war average of 6.5 million metric tons. A large part of the increased production has been fed to livestock in the countries where it was grown.

By the crop year 1946/47, Latin America had become the world's most important producer of cane sugar, output being 10.8 million metric tons of a world total of 27.8 million metric tons (raw basis). Cuban production in 1946/47 was at 5.7 million metric tons—a record crop—but the 1947/48 harvest is expected to be lower.

In coffee, Latin America is currently producing about eighty per cent of the world supply, Brazil and Colombia being by far the most important producing countries in the world.

Exports of cocoa and of bananas and other tropical fruits were all sharply reduced during the war by shipping limitations, but in recent months there has been a rapid recovery.

Present cattle numbers in nearly all Latin American countries are slightly above the 1931 to 1940 average, largely as a result of the greater demand for meat and dairy products and the favourable price relationship between cattle and feed during the war. In 1946, there were 132 million head of cattle in Latin America, compared with the 1931 to 1940 average of 127.3 million head. Sheep have also increased in recent years, from a 1936 to 1940 average of 106.1 million head, to 127.1 million head in 1946. Hog numbers increased to 45 million head in 1946, compared to the 1936 to 1940 average of 38.8 million.

Meat output in the principal meat-producing countries of Latin America was significantly greater in 1946 than the pre-war average of 3.72 million metric tons, and somewhat greater than the 1945 output of 4.2 million metric tons. Exports, too, were slightly greater in 1946 than in 1945, when 763 thousand metric tons were exported.

Despite the over-all expansion of food production in Latin America, the increase in consumption by the population appears to have been limited and has not resulted in any significant dietary advance. The caloric intake has been calculated at 2,600 calories per day in 1946 and 1947 as against 2,400 calories for 1935 to 1939; in both instances, however, wide variations were recorded from country to country. The steady rise in food prices throughout Latin America has meant that poorer sections of the population have not shared in the general increase in food consumption. In most countries, the consumption of meat, fish, dairy products, fats and oils, and vegetables remains inadequate. Serious malnutrition, caused by deficiency of certain minerals and vitamins, exists in many Latin American countries. This is closely related to the very general continuation of subsistence agriculture and the fact that a large part of the population of the Latin American countries virtually live outside the range of a money economy and must depend to a considerable extent upon the restricted range of foodstuffs which they themselves produce.

It is natural that many Latin American governments should have plans for

extensive agricultural development and that these plans should be directed towards a greater diversification of agriculture and an increase of productivity through the application of more scientific methods and better equipment and tools, as well as mechanical equipment. While the governments are seeking to press forward with such proposals, progress has to date been relatively slow.

INDUSTRIAL PRODUCTION

Industrial production in Latin America is on a limited scale and is restricted to a relatively small number of countries. Consequently, there are few statistical data available as to the trends in industry since the war. In the three countries, Argentina, Chile and Mexico, which compile index numbers of employment or of industrial production, it is evident that there has been some advance, but indexes for separate industries show relatively diverse movements, with a substantial increase occurring in the building industries while, on the other hand, activity in such important consumer goods industries as textiles has declined.

Table 20

INDEXES OF INDUSTRIAL PRODUCTION OR EMPLOYMENT; MANUFACTURING INDUSTRIES IN ARGENTINA, CHILE AND MEXICO, 1943-47

	1943	1944	1945	1946	1947
Argentina					
Employment (1943 = 100).....	100	104	105.1	108.6	114 ^a
Chile					
Production (1937 = 100).....	111	114	130	137	144 ^b
Mexico					
Production (1937 = 100).....	129	141	149	165	145 ^a

Source: Statistical Office of the United Nations, *Monthly Bulletin of Statistics*.

^aJanuary-March.

^bJanuary-September.

Elsewhere in Latin America it is evident that industrial activity is only just beginning to assume any importance in national economies. The production of cement in many countries has been increased as a consequence of the great expansion in residential building.

Heavy industries remain on a small scale and are of importance only in Mexico and Brazil and, to a lesser degree, in Chile. Production of steel ingots and castings for the month of August 1947 amounted to only 31,600 metric tons in Brazil, and 29,700 metric tons in Mexico. Apart from these instances, production is on a very small scale and serves only to meet a small range of local needs.

Emphasis on light industries has been characteristic of recent industrial development in Latin America and developments are frequently concentrated in the food and textile industries. Among them, the food industries employ about fifty per cent of all industrial workers and produce about fifty per cent of total manufactured goods. These developments are naturally directed primarily towards the supply of consumption goods for the domestic market; in many instances they have been given special protection by governmental action and often constitute part of the development projects undertaken with specific government support.

Throughout Latin America industrial development is being fostered by governments, in many cases through the creation of economic councils or through development corporations which, being provided with public funds, either undertake industrial operations themselves or facilitate and participate in private enterprise of a kind considered necessary for the economic development of the country.¹

There are also numerous cases in which governments have intervened indirectly to encourage industrial development by the adoption of protective measures (customs, import controls and tax exemptions) or by the provision of special industrial credit facilities.

At the present time, many of the governments concerned with industrial development are encountering difficulties in obtaining the industrial equipment and supplies required to implement their development plans, which were inevitably retarded by the war. These requirements have become the more acute since the accelerated production of the war years in many cases resulted in the premature wearing out of equipment and machinery, which now is in urgent need of replacement. This problem is particularly acute in Argentina, Brazil, Chile, and Mexico.

Not only for these immediate reasons, but also because of the Latin American governments' need for long-term industrial development, the industrial requirements of the Latin American countries are likely to remain high for some time to come. Under present supply conditions, however, it will not be possible to meet all these needs.

INTERNATIONAL TRADE

The international trade of Latin America is of vital importance to the economic stability of those countries. It is, however, a highly specialized activity and the exports of the Latin American countries are limited to a relatively narrow range of agricultural products and a few minerals. These commodities are produced solely for the export market and in many cases constitute the countries' sole source of foreign exchange. In these circumstances it is inevitable that the efforts of many Latin American countries should be aimed at securing a greater diversification of production in order to lessen their dependence upon a single major commodity.

The impact of the war upon the Latin American export industries tended initially to be most serious because there was an immediate reduction, in many cases total cessation, of exports to the United Kingdom and continental Europe which, prior to the war, accounted for forty-five per cent of Latin America's exports.

At the same time Latin American countries depended heavily upon this area for essential imports which also were interrupted by the war.

There was, however, a rapid readjustment to the changed situation, and the position of the United States, which had previously accounted for about thirty-three per cent of the trade of Latin America, improved substantially, so that by 1944 it was supplying some sixty per cent of Latin American imports and taking about fifty per cent of the exports of these countries.

¹ A more detailed account of this type of economic development activity in Latin America, and elsewhere, is given in part III, chapter 5, "Progress of Economic Development".

Before the war, trade among the Latin American republics was negligible, but the war-time disappearance of oversea sources of supply encouraged a substantial growth in this respect and total imports by Latin American countries from sources within the region rose from ten per cent of total imports before the war to nearly thirty per cent in 1944.

In 1947, Latin American exports to Europe were increasing despite the great difficulties encountered owing to the inability of the European countries to provide exports and to their lack of foreign exchange. Latin American exports to the United States continued in 1947 at the high level achieved in 1946; imports from the United States increased substantially, as was to be expected from the easing of the shipping and supply situation and the existence of a strong pent-up demand in Latin America for manufactured goods, and especially for plant and equipment. However, since many Latin American countries now feel that their dollar resources will be inadequate to meet their needs, especially in view of the rapid price rises in the United States, some have strengthened exchange and import controls.

INFLATIONARY TENDENCIES

The countries of Latin America are suffering from the same inflationary pressures of the war and post-war period which have occurred in other regions. In Latin America, this development has resulted in the main from the expansion of exports during and since the war, for which no counter-balancing increase in imports was possible. Many countries had considerable budget deficits during recent years. Other contributory factors have been expenditures made by the United States in connexion with the conduct of the war, such as bases in Brazil and Cuba and the Pan-American Highway in Central America, and expenditure by governments on numerous development projects. In a number of these countries, there has been substantial foreign investment in export industries, and there has also been a residential building boom.

At the same time supply, especially of agricultural goods, was relatively inelastic in response to the increased demand while imports became, for reasons arising from the war, increasingly difficult. This inelasticity arose not only because of the inadequate imports of machinery, fertilizers and raw materials but also because the under-developed nature of the economies of most of these countries presented serious institutional, as well as economic, obstacles to an increase in production. In respect of food, there were special factors which tended to lessen the available supply. The shortage of manufactured goods lessened the incentive to small producers to offer their surplus produce for sale, while the increase in food exports also restricted available supplies.

Lacking any adequate system of price control or effective rationing, the inflationary pressure resulted in price rises, followed ultimately, though usually after considerable delay, by increased wages, thus putting further pressure on the limited quantity of goods available and forcing prices still higher.

Price index numbers inadequately reflect this upward movement but table 21 shows recorded price changes in a representative group of Latin American countries.

Table 21

INDEXES OF COST OF LIVING IN CERTAIN LATIN AMERICAN COUNTRIES 1944-47
(1937 = 100)

	1944	1945	1946	1947
Argentina (Buenos Aires).....	113	135	159	185 ^a
Bolivia (La Paz).....	470	496	533	650 ^a
Brazil (Rio de Janeiro).....	170	197	222	
Chile (Santiago).....	224	244	283	397 ^b
Colombia (Bogotá).....	170	189	207	248 ^b
Costa Rica (San José).....	167	177	184	212 ^c
Cuba (food prices only; July-Dec. 1937 = 100).....	172	194	208 ^d	..
Mexico (Mexico City; food, clothing, coal and soap).....	230	247	308	354 ^c
Paraguay (food, clothing, etc. in Asun- ción; 1938 = 100).....	193	214	236	275 ^e
Peru (Lima).....	164	182	199	305 ^c
Uruguay (Montevideo).....	121	139	153	179 ^b
Venezuela (Caracas; food, coal and soap).....	141	141	150	171 ^f

Source: Statistical Office of the United Nations, *Monthly Bulletin of Statistics*.

.. Not available.

^a August.

^b September.

^c November.

^d 10 months' average.

^e February.

^f June.

On the whole, rationing of consumption goods was not attempted; where it was undertaken it was on too limited a scale to check inflation.

There has been no slackening in these inflationary pressures in recent months, for in Latin America as elsewhere the pent-up demand for goods continues and is supported by the accumulated savings of the war years. Increases in exports, consequent upon the high level of industrial activity in the United States and upon the urgent needs of devastated countries, have further contributed to the inflationary pressure, while governments have endeavoured in a number of cases to resume development projects which shortages and other difficulties of the war period have interrupted. The accumulated demand, which now maintains such pressure on the limited supplies, may in time be satisfied or disappear, while exports may contract as other sources of supply throughout the world improve.

The policies of governments in respect of their development programmes will greatly influence the future course of events. Governments in Latin America generally are extremely anxious to accelerate the progress of their projects for development and most have extensive programmes intended to promote economic growth. In so far as these programmes require imports of capital equipment, they would not add to the inflationary pressure. On the contrary, as such equipment becomes capable of producing consumption goods, the improving supply situation should ease the present strain, but in so far as development projects call for substantial domestic investment, they will correspondingly increase consumer incomes, and hence the demand for consumption goods, particularly food. In many countries, the food problem may well present the most serious difficulties. While in the long run these could be

overcome by institutional changes and the adoption of improved technical methods, in the short run no rapid expansion may be possible. Thus, the alternatives might be a shift to food production at the cost of other agricultural products normally produced for export, or to an increase in imports of food. Both steps would reduce net exports and cause the more rapid depletion of foreign balances which, in general, are regarded as indispensable for development. The pace, therefore, at which economic development programmes are put into effect is of critical importance.

INTERNATIONAL ACTIVITIES

Since the Latin American countries in general seek their markets and their sources of supply elsewhere than in Latin America, there has not been a strong regional economic interest. The events of recent years, however, have increased the appreciation of regional economic interests and as a consequence, efforts are being made to safeguard and strengthen them.

The events of the war in the economic field led to the creation by the Pan-American Union of the Inter-American Financial and Advisory Committee, which included representatives of all the twenty-one members of the Pan-American Union. In 1945, this war-time committee was replaced by the Inter-American Economic and Social Council, the functions of which are to be ratified by the Ninth International Conference of American States to be held in Bogotá in 1948. This council functions through a group of seven commissions dealing with such topics as production, commerce, transport and communications, and development credit and finance.

The commissions have been active in preparing reports on topics having special regional interest.

At the fifth session of the Economic and Social Council in 1947, a proposal was presented by the member for Chile, recommending the establishment of an Economic Commission for Latin America largely parallel to those already established for Europe and the Far East. The Chilean proposal emphasized the urgency of the economic problems now facing the Latin American countries, the handicaps under which they were presently working and the long-term needs for economic development felt by all Latin American countries.

The Economic and Social Council, by a resolution of 11 August 1947, established an *Ad Hoc* Committee to consider the factors bearing upon the establishment of an Economic Commission for Latin America, within the framework of the United Nations, and to report with recommendations concerning the creation of such a commission.

Chapter 2

AUSTRALIA AND NEW ZEALAND

The Australian and New Zealand economies, two years after the war, find themselves still in a period of transition, beset by the many problems which necessarily accompany the conversion of war-time economies to peace-time production. The most significant characteristics of the economic situation during 1947, and indeed, since the end of the war, are the continuing high level of industrial production, which expanded greatly in Australia during the war, and the continuing strong demand for all kinds of goods and services, resulting in severe pressure on available labour and materials.

The following are some of the principal components or indicators of the substantial increase in economic activity in which the pressure on available supplies and productive resources is heavy. The note circulation in the period 1939 to 1947 increased about fourfold in Australia and threefold in New Zealand; average weekly bank debits increased almost twofold; savings bank deposits more than doubled; and wages increased moderately. The table below shows the increases in national income but the two sets of figures are not comparable to one another. While, on the one hand, these figures do not take into account the increase in prices, on the other, they also do not indicate that there was considerable unemployment in the fiscal year 1938 to 1939.

Table 22
NATIONAL INCOME IN AUSTRALIA AND NEW ZEALAND
Fiscal years 1938/39–1946/47^a

	Australia ^b (Millions of £A) ^d	New Zealand ^c (Millions of £N.Z.) ^d
1938/39	803	185.8
1939/40	852	200.2
1940/41	923	216.5
1941/42	1,075	230.7
1942/43	1,229	264.4
1943/44	1,279	292.3
1944/45	1,228	303.5
1945/46	1,236	326.1
1946/47	1,265	..

Source: Australian Budget Paper *National Income and Expenditure 1946-47*; New Zealand Census and Statistics Department; *New Zealand Financial Statement, 1947*.

.. Not available.

^a At market prices.

^b Net income payable abroad and employers' social security contributions are excluded.

^c Aggregate private income.

^d The Australian pound and the New Zealand pound are approximately equal to U.S. \$3.20. However, these currencies have a much greater internal purchasing power than this exchange rate would indicate.

Mid-1947 saw employment figures in the two south-west Pacific countries

at their highest peace-time levels. Australia, with a population of about 7.5 million, had 3,212,000 people in civilian work, an increase of nearly half a million over June 1939 levels. New Zealand, with a population of about 1.8 million, had a total labour force of 727,400. The steady trend towards industrial growth in Australia, and to a lesser extent in New Zealand, was underscored by increases of almost fifty per cent and twenty-five per cent, respectively, in the number of workers employed in factories between 1939 and 1947. During the same period, there was a twenty-six per cent decrease in employment of rural and domestic wage earners in Australia. At the end of 1947, many vacant jobs were officially listed in both countries. Shortages of labour and materials, particularly of coal, were responsible for holding back production in basic industries, and for retarding the construction of urgently needed housing.

Both countries are surplus areas for food and agricultural products, which are exported in substantial quantities, especially to the United Kingdom. Australia has been able to make a successful recovery from the disastrous drought of 1943 to 1945 and the 1947/48 wheat harvest is expected to exceed 200 million bushels. An interesting development was the increase in the production of cheese and processed milk, and in the production of canned vegetables. Export prices of most agricultural products in the two post-war years reached record heights.

The foreign trade of Australia and New Zealand expanded greatly in the two post-war years. However, the expansion was mostly in terms of value. There was an increase in volume in the case of New Zealand, but a small decrease in the case of Australia. As for the direction of trade, the position of the United States became more important, both as a supplier of goods and as a customer. Also significant was the increasing importance of two-way trade with India.

The balance of payment situation of the two countries was satisfactory in the first half of 1947, although Australia expected to have a net deficit in the fiscal year 1947 to 1948. It is not possible to utilize the substantial sums of sterling which accumulated in recent years in London and, towards the end of 1947, both countries were faced with a serious dollar scarcity problem, which resulted in severe restrictions on purchases requiring dollar expenditure. This situation is expected to continue, at least through 1948.

Both countries have embarked on extensive programmes to hold rises in prices, owing, in large measure, to a rise of more than one hundred per cent in the price of imports. Although the past year has seen the relaxation of a number of controls, government authorities still maintain rationing of important consumer goods, and control of prices, rents, foreign exchange, and imports. An international comparison of indexes of price rises¹ since the beginning of the Second World War, or since V-J Day, shows that these controls were markedly successful.

INDUSTRIAL PRODUCTION

The trend towards industrial growth, which had been under way in recent years in Australia and in New Zealand, was accelerated by the war. Thus,

¹ See Statistical Office of the United Nations, *Monthly Bulletin of Statistics*, No. 12, 1947.

Australia emerged from the war with a substantial expansion of industry; the average net value of factory production for the six years ended 30 June 1939 increased from forty-seven per cent of the net value of production of manufactured and primary goods to fifty-seven per cent in the year ending 30 June 1945. The war acted as a stimulus to the creation or expansion of important industries such as aircraft, shipbuilding, the metal trades, and food processing.

In New Zealand, the value of factory production in the year 1935 to 1936 amounted to about twenty per cent of the net value of production of manufactured and primary goods, and in 1945 to 1946, to twenty-four per cent. It should be noted however that this figure excludes the factory processing of primary products, an item which is very important in New Zealand.

Some indication of industrial expansion can be seen from table 23, which shows factory statistics in summary form for the years 1938 to 1939 and 1945 to 1946.

Table 23

**SUMMARY OF FACTORY STATISTICS OF AUSTRALIA AND NEW ZEALAND
1938/39 and 1945/46**

		Australia			New Zealand		
	Unit	1938/39	1945/46	Per cent Increase	1938/39	1945/46	Per cent increase
Factories	Number	26,941	31,184	16	6,146	6,988	15
Employees	Number	565,106 ^a	745,258 ^a	32	102,535	128,467	25
Salaries and wages paid	£1,000	106,743 ^b	205,819 ^b	93	22,270	41,538	87
Power, fuel and light used	£1,000	15,700	27,040	72 }	75,635	123,848	64
Materials used ^c	£1,000	281,303 ^c	488,426 ^c	74 }			
Value added	£1,000	203,417	354,346	74	38,812	71,334	84
Output	£1,000	500,420	869,812	74	114,447	195,182	71
Land and buildings	£1,000	130,920	187,088	43 }	76,498	90,740 ^d	19
Plant and machinery	£1,000	143,662	185,545	29 }			

Source: Commonwealth of Australia, Bureau of Census and Statistics; New Zealand Census and Statistics Department.

^a Average over whole year includes working proprietors. In July 1947, the number of employees had risen to 800,600.

^b Excludes amounts drawn by working proprietors.

^c Includes also containers, packing, etc., tools replaced, and repairs to plant.

^d 1943-44.

This table must be supplemented by other data. In Australian basic industries, production of metals, machines and implements increased one hundred and twenty per cent over pre-war production; chemicals, dyes, explosives and paint, sixty-six per cent; clothing manufactures, fifty-nine per cent; textiles and textile goods, fifty-eight per cent; and food and drink processing, thirty-eight per cent.

A further indicator of the expansion of the more important Australian industries can be seen from the percentage increases in employment in 1938 to 1946:

Table 24

**INCREASE IN EMPLOYMENT IN IMPORTANT AUSTRALIAN INDUSTRIES
From 1939 to 1946**

	Per cent increase
Cement and cement goods.....	50
Mineral oils	170
Smelting and converting of metals.....	25
Aeroplanes*	250
Ships and boat building ^a	150
Cutlery and small tools.....	180
Dye works and cleaning.....	110
Paper making	90
Surgical, optical and scientific instruments.....	260

Source: Prospectus filed by Australian Government with United States Securities and Exchange Commission, 16 June 1947.

^a In the past year there has been a very substantial decrease in employment in these industries.

Although coal production in July 1947 had reached a level of 1.4 million metric tons a month,¹ i.e., about thirty per cent higher than the pre-war norm, it was still insufficient to meet requirements. The Commonwealth Bank's indexes of pig iron and steel ingot production for June 1947 were 104.7 and 105.3, respectively (1938 to 1939 = 100). In the same month, the index of sales of gas and electricity in Sydney showed an increase of about eighty per cent over pre-war figures. The consumption of electricity in Melbourne and in Tasmania in September 1947 was about one hundred per cent and forty-five per cent, respectively, higher than pre-war consumption.¹ In the same month, production of cement amounted to 93,200 tons and production throughout 1947 was more than ten per cent in excess of the pre-war norm. The number of new dwelling units completed each month, since the end of hostilities, rose steadily until in mid-1947 it amounted to 2,501.

Much thought has been given to the prospects of maintaining Australia's recent industrial expansion. In his annual report in September 1947, the Governor of the Commonwealth Bank drew attention to the development of industries, especially those producing local substitutes for scarce imports, and noted the problem of whether they could, on a long-term view, be regarded as able to hold their own in a more competitive world.

Table 23 reveals, too, the substantial increase in the value of New Zealand factory production over pre-war levels. The volume of production also increased, the index in mid-1946 standing at 111 (1938 to 1939 = 100).

Demobilization, which was completed in both countries early in 1947, accounted for the increase in the total number of factory employees in New Zealand from 128,467 in mid-1946 to 153,000 in mid-1947. A substantial expansion took place during and after the war in the production of canned vegetables, which in 1947 exceeded that in 1946 by forty-three per cent. Modest improvements also took place during 1947 in coal, electricity, gas, superphosphate, and cement production. It should be noted, however, that all of these fields saw a substantial increase over pre-war production, ranging

¹ Statistical Office of the United Nations, *Monthly Bulletin of Statistics*, No. 12, 1947.

from about thirty-three per cent in the case of coal, to almost one hundred per cent in the case of electricity.

The post-war economics of both countries have been hampered by shortages of man-power and materials. Although the labour force in civil employment at the end of 1947 was quantitatively, and in relation to the total population, larger than at any previous time in the history of the two countries, both Australia and New Zealand are currently characterized by a severe and general shortage of labour. At the end of October 1947 the Commonwealth Employment Service had jobs waiting for 87,000, and in his budget statement in August 1947 the New Zealand Finance Minister reported that there were 33,000 vacant jobs in various branches of industry. Many basic Australian industries, such as coal, iron and steel, metal trades, textiles, transport and communications, and light and power, lack the labour they require. The resulting limitation of production has retarded the construction of new dwelling units. Shortages of labour and materials also hold back the solution of the housing problem in New Zealand.

Of some small help in alleviating the labour shortage in Australia was the arrival, during 1947, of 30,000 immigrants. The lack of shipping frustrated original plans for a total of 70,000. It is believed that Australia will receive about 50,000 immigrants in 1948.

FOOD AND AGRICULTURE

In the second half of 1946, pastoral and agricultural production in Australia began to recover from the serious drought which caused great damage to livestock and crops over the period 1943 to 1945. During the war, lack of fertilizer was also a factor limiting production.

The Australian wool clip for the 1947/48 season was estimated to amount to more than 3 million bales (of 301 pounds), representing a substantial recovery from the severe drought of 1944 to 1945, which caused a twenty-five per cent reduction in the sheep population. Indeed, the total sum realized from the current clip was the largest ever received, a fact accounted for more by price rises as a result of heavy oversea demand, than by an increase in the physical volume of production. The average prices for the 1947/48 clip were 43.4 per cent higher than those of the previous year.

New Zealand wool production in 1946/47 amounted to 1,050,000 bales. Although this was about six per cent greater than production for the immediate pre-war years, it was smaller than the clips for the previous six years.

The livestock population of Australia decreased during recent years, partly because of dry seasons and partly because of the drift of man-power to manufacturing industries. Thus, the sheep population, which in 1942 totalled 125,189,129, decreased to 96,396,405 by 31 March 1946. One result was a decrease in the production of meat, the total export of lamb for the current season not being expected to exceed 3,250,000 carcasses. In the immediate pre-war period, the yearly average was 5 million. On the other hand, the livestock population of New Zealand has remained stationary in recent years or, in some instances, has increased. There was a six per cent increase in cattle slaughter over pre-war figures but a decrease of about eight per cent in slaughter of sheep and lambs, which in 1947 amounted to 4,261,000 and 11,204,000, respectively. However, over-all meat production in that year amounted to 555,000 tons, an increase of about fifteen per cent over production for the last pre-war year.

The Australian dairy industry has seen a continuation of the war-time trend of diverting milk to the production of cheese and processed milk. As a result, the volume of butter production has declined about twenty-five per cent from pre-war production, but production of cheese has increased more than forty per cent. About forty per cent of butter and cheese production is exported.

Butterfat production in New Zealand amounted to 408 million pounds in 1946/47, i.e., about ninety-three per cent of immediate pre-war production. Production of butter has declined slightly from pre-war levels and now amounts to 146,000 tons, but the production of cheese, which in 1946/47 amounted to 90,000 tons, was greater than before the war. About seventy per cent of current production of butter and ninety per cent of cheese is exported, almost entirely to the United Kingdom.

Heavy and unseasonal rains at the end of 1947 destroyed official expectations of a record Australian wheat harvest.¹ Of this current harvest, the Australian Government contracted to sell 80 million bushels to the United Kingdom and 25 million to India. According to the United Kingdom Food Minister, the deal would save Britain an outlay of about \$120 million and "avoid any requests for wheat from the United States in this crop year".² Half of the shipments would go to British colonies or areas for which the United Kingdom had made itself responsible. Most of the exports would be in the form of flour, as it is government policy to keep flour mills operating on a year-round basis. A harvest exceeding 200 million bushels will present serious storage problems.

In 1946, exports of wheat amounted to 491,295 long tons and exports of flour to 718,485 long tons. The principal export market for wheat was India, and for flour, Malaya, Ceylon, the United Kingdom, and India.

A recent important development aimed at keeping up rural purchasing power was the Wheat Industry Stabilization Plan, whereby the Government guarantees to growers until 1952/53 a price of 5 shillings per bushel, bulk basis, f.o.r. ports, for export wheat or wheat consumed in Australia. Should the export price exceed this, growers contribute to the Stability Fund an amount not exceeding fifty per cent of the difference between the export price and the guaranteed price.

Table 25 shows figures for wheat production and acreage sown during several past seasons. The fluctuations it reveals are characteristic of Australian agricultural production.

Table 25
PRODUCTION AND ACREAGE OF WHEAT IN AUSTRALIA
1938/39-1947/48

	Production (Bushels)	Area sown (Acres)
1938/39 ^a	154,325,000	12,979,000
1944/45	52,800,000	8,463,151
1945/46	142,400,000	11,400,000
1946/47	116,800,000	12,400,000
1947/48 (estimate)	200,000,000	14,600,000

Source: Commonwealth Bureau of Census and Statistics, *Summary of Wheat Situation* 17 October 1947.

^a Average for five years ending 30 June 1939.

¹ Commonwealth Bureau of Census and Statistics, *Summary of Wheat Situation*, 17 October 1947.

² Quoted in *The New York Times*, 19 December 1947.

Other crops, such as barley and oats, also made good recoveries from the drought but production of dried grapes was reduced because of unsatisfactory weather conditions. Cane-sugar production has not yet reached pre-war levels, which averaged about 740,000 tons yearly, and the area devoted to growing vegetables, which was expanded greatly to meet war-time needs, has decreased in the past two years. The rice harvest in 1947 amounted to about 55,250 tons, of which fifteen per cent will be consumed locally; the balance will be exported to Malaya and to some Pacific islands.

FOREIGN TRADE

The trend towards industrial growth, mentioned earlier, is of more significance to the internal economies of Australia and New Zealand than to the world economy, where their importance is based on exports of a small number of primary products, particularly wool, wheat, meat, butter, cheese, and some minerals. Although the share of the two countries in world trade was small, amounting in 1946 to about three per cent of exports and two per cent of imports, in certain sectors it was quite significant. Thus in 1944/45 Australian production of wool amounted to almost thirty per cent of total world wool production of 3,573 million pounds, and to fifty per cent of fine wool production. Australian wool exports amounted to almost forty per cent of world exports. New Zealand was the fourth largest producer and the third largest exporter of wool. In the case of wheat, Australia accounted for almost twenty per cent of world exports. New Zealand was the world's largest exporter of mutton, lamb, butter, and cheese.

Dependence on the external market makes the two economies vulnerable. As exports are the "crucial sector" of the economies, this vulnerability is sharpened because the forces which determine overseas demand and prices are largely beyond Australia's or New Zealand's control.

The year 1946 to 1947 witnessed a substantial increase in the foreign trade of the two countries. As table 26 indicates, increases took place in both imports and exports, but are a reflection of price rises more than of increases in volume. However, it can be seen that the volume of New Zealand exports increased about fifteen per cent, but that Australian exports decreased about four per cent.

Table 26
FOREIGN TRADE OF AUSTRALIA AND NEW ZEALAND
1938/39 and 1946/47

	Imports	Australia		New Zealand		Exports Volume (1936/38 = 100)
		Value (£A1,000)	Volume (1937 = 100) ^a	Imports	Value (£NZ1,000)	
1938/39	124,141	122,543	108 ^b	56,499	57,891	97
1946/47	229,741	307,945	104 ^c	91,023	116,214	112 ^d

Source: Commonwealth Bureau of Census and Statistics; *New Zealand Financial Statement*, 1947; Statistical Office of the United Nations, *Monthly Bulletin of Statistics*, No. 11, 1947.

^a The index is the quotient of the actual value of exports, divided by an export price index.

^b 1938.

^c 1946.

^d Preliminary estimate, 1946.

Since the beginning of the Second World War, Australian exports have generally exceeded imports. However, it was estimated that in 1946 to 1947, total receipts and total payments balanced but that in 1947 to 1948 total imports would exceed total exports. In the first quarter of that year, on commodity balance, imports exceeded exports by more than £A21 million. During the same period of 1946 to 1947, exports exceeded imports by £A30.4 million. This situation stems from a number of factors, the most important being the increase in deliveries of long outstanding orders for machinery and consumer goods, the prices for which had increased greatly. It is expected that New Zealand exports will continue to exceed imports.

In mid-1947, Australia's international currency reserves, almost entirely sterling, amounted to £A198.7 million, after allowing for a gift of £A25 million to the United Kingdom as a contribution towards expenditure incurred in the Pacific war, and after repaying oversea loans amounting to £A5.5 million. At that date, too, New Zealand holdings of sterling amounted to £NZ105 million, allowing also for a smaller gift to the United Kingdom of £NZ12.5 million. The size of these balances, which are little more than sufficient to meet current and future requirements, is accounted for largely by the war-time interruption of the normal flow of British exports to the two countries. However, the balances were not being drawn on because of agreements with the United Kingdom Government to meet sterling and non-sterling payments from current income.

The most important current problem affecting the foreign trade of the two countries has its roots in the deterioration of multilateral settlement, characterized by a traditional surplus to the United Kingdom and a traditional deficit with the United States which had to be paid in dollars, most of which were supplied through London. Thus both countries had to tighten their control of dollar expenditures when, in August 1947, the United Kingdom was forced to suspend automatic convertibility of sterling into dollars.

For the year ending 30 June 1947, an official estimate of Australia's balance of payment position with the United States and Canada showed a net deficit of almost \$100 million.¹ Towards the end of 1947, a series of drastic cuts was applied to imports from dollar areas by reviewing import licences, thirty-five per cent of which were then cancelled. From official pronouncements it can be expected that future imports involving dollar expenditure will be subject to severe controls.

For the eighteen months ending in mid-1947, New Zealand imported from the United States and Canada \$35 million more than was exported. As in the case of Australia, requirements involving dollar expenditure are strictly controlled.

A significant development in the foreign-trade picture was the increasing importance of trade between the two south-west Pacific countries and countries of Asia and the Far East. For Australia, the year ending 30 June 1947 saw an excess of exports over imports, amounting to £A26 million, as compared with an excess of imports over exports, amounting to £A6 million in 1938 to 1939. The most important source of imports in the area is now India and the most important customers are India and Malaya. Significant also in this new

¹ This figure, mentioned by the Prime Minister in the House of Representatives, 30 September 1947, does not allow for an unknown but considerable net investment of American, and to a smaller degree Canadian, capital in Australian industry in that year.

development for Australian trade is the substantial increase in exports of manufactured products, especially metal manufactures, machinery, drugs, and chemicals. New Zealand exports to India increased more than twentyfold between 1938 and the end of 1946. Exports to other Asian countries also expanded greatly and imports from this area, especially from India and Ceylon, increased.

Another noticeable development was the increased importance of the United States in the foreign trade of the two countries. Australian imports from, and exports to, the United States in 1946 to 1947 were more than 150 per cent larger (in value) than for the first pre-war year, 1938 to 1939. In 1946, New Zealand imports from the United States were seventy per cent greater (in value) than in 1938, and exports almost seven hundred per cent greater in value. Also of interest is New Zealand's agreement with the French Government in 1947, whereby credits of up to £NZ5 million sterling would be provided to purchase New Zealand produce over a period of five years.

PROBLEM OF SHORTAGES AND EXCESS SPENDING POWER

The heavy pressure of demand, exceeding available supplies and productive resources, and backed up by large accumulations of money, continued into the post-war period and there is every indication that it will continue during 1948. This situation had its origin in the changes which took place in converting from peace to war economy. Chief factors in this process were large export surpluses, large government expenditures financed by budget deficits throughout the war years, an increase in the money supply, a relatively small rise in wages and salaries, accompanied by shortages of consumer goods, whether imported or of domestic origin. At the same time, however, taxation was extremely heavy. The two post-war years have witnessed a large increase in the value of exports, although it was only at the end of 1947 that the export price index began to reach the level of the import price index. There was also a continuation of large government spending and private investment.

Note should be made of the effect of the efforts to solve the housing situation as an important element in the high demand situation. This, and a public works programme whose level is related to the current economic situation will be important for maintaining economic stability.

Commonwealth Government expenditure in 1947 to 1948 is estimated at about £A427 million, or about four times that in the last pre-war year. Almost all of the revenue to cover these expenditures will be raised by taxation. Of this sum about £A77 million will be used for social services, a fivefold increase over pre-war figures.

New Zealand's 1946 to 1947 expenditure from its Consolidated Fund amounted to £NZ103.6 million, a threefold increase over the same expenditure in the last pre-war year. As in the case of Australia, taxes will provide most of the revenue to cover this expenditure. This figure does not include direct war expenditure. Over the same period, expenditure on social services also increased threefold, amounting in 1946 to 1947 to £NZ36.8 million.

Although the transition back to a peace-time economy has been comparatively smooth, it has not been possible, however, to satisfy the pent-up demand for both capital and consumer goods. Local production can satisfy but a part of this demand. By agreement, sterling balances accumulated in

London are not immediately usable and imports are therefore limited. Further, a shortage of dollars has also limited imports from the United States and Canada. Table 27 gives some indication of the development of the pressure of excess spending power over the past nine years.

Table 27

NOTE CIRCULATION, SAVINGS BANK DEPOSITS AND WAGES IN AUSTRALIA AND NEW ZEALAND, 1939-1947

	Note Circulation		Savings bank deposits		Wages ^a	
	Australia ^b £A. Million	N.Z. ^c £N.Z.	Australia ^d £A. Million	N.Z. ^d £N.Z.	Australia ^b (1936/37-1938/39 Average	N.Z. ^b (= 100)
1939	47.5	12	245	79	106	104
1940	57.3	14.8	244	74	107	105
1941	66.9	17.4	266	84	114	111
1942	100.9	21.5	309	96	122	116
1943	138.4	27.6	414	113	131	120
1944	187.6	32.1	517	130	133	121
1945	185.5	35	623	151	134	134
1946	197.7	38.2	654	167	135	136
1947	201.6	40.3	664 ^e	177 ^e	145	138

Source: Commonwealth Bank of Australia, *Annual Report, 1947*, and *Statistical Bulletin*, October 1947; New Zealand, *Monthly Abstract of Statistics*, July and August 1947; Statistical Office of the United Nations, *Monthly Bulletin of Statistics*, No. 11, 1947.

^a Average hourly rates. The "real" wage index over this period rose only from 101.5 to 109.9 in Australia and from 113.7 to 126 (base 1926-30 = 100) in New Zealand.

^b June averages.

^c Weekly averages.

^d End of calendar year.

^e September.

Action by the authorities to curb the upward movement of prices has, on balance, and by comparison with experience in most countries, been successful. Measures adopted include wage pegging (during war-time), price controls and rationing, subsidies to keep down the cost of living, control of consumer credit, of rent and capital issues, as well as exchange and import controls. Effective rationing of many consumer goods made possible an effective price control and so limited price increases that the rise in the cost of living was one of the lowest in the world. Indeed, the total rise in food costs in Australia and New Zealand between 1939 and 1947 was less than the rise in the United States between mid-1946 and the end of 1947. Although during 1947 there was a tightening of control of imports from the United States, there was a relaxation of some other controls in both countries. It is government policy to retain controls until shortages have disappeared. The relatively moderate rise in the price level, caused by the pressure of excess spending power, is shown in table 28.

Table 28

INDEXES OF COST OF LIVING AND WHOLESALE PRICES IN AUSTRALIA AND NEW
ZEALAND, 1939-1947
(1937 = 100)

	Australia		New Zealand
	Cost of living	Wholesale prices	Retail prices, all groups Wholesale prices
1939	105	100	107 105
1940	110	110	112 117
1941	115	117	116 128
1942	125	131	120 139
1943	129	138	123 148
1944	129	139	123 152
1945	129	140	123 155
1946	131	140	123 155
1947	136 (Sept.)	153 (Oct.)	126 (Sept.) 157 (July)

Source: Statistical Office of the United Nations, *Monthly Bulletin of Statistics*, No. 12, 1947.

Chapter 3

ASIA AND THE FAR EAST

GENERAL BACKGROUND

In this chapter an attempt is made, on the basis of the rather sparse information available, to sketch the economic conditions in the region that falls within the geographical scope of the Economic Commission for Asia and the Far East. In this region, which at the time it was drawn into the Second World War had not yet as a whole achieved any high degree of economic advancement—the vast majority of its predominantly agricultural population still living on a bare subsistence level—the various countries are struggling arduously with the difficulties of rehabilitating their war-shattered economies. Many of them had suffered extensive physical devastation and all experienced serious dislocation of production, transport, trade, and finance caused by the war. Civil strife which has followed in its wake in various parts of the region has added to these difficulties and places further hindrances in the way of speedy reconstruction.

The most serious factor retarding the economic revival of large parts of the region is the insufficiency of agricultural production to relieve persistent shortages of food. Shortages of other essential supplies for local consumption and for export, inability to import on a requisite scale for lack of usable foreign exchange, especially of direly needed United States dollars, shortage of productive equipment and implements, and absence or inadequacy of transport facilities, are other contributory factors hampering reconstruction, which is further impeded in several instances by rampant inflation.

Steps have been taken or are actively planned by the governments in the various countries to increase production, improve transport and otherwise to promote recovery. While these measures have already shown some encouraging results, they are but a beginning. Most of the needed reconstruction still remains to be done, as will be seen from the survey made below of conditions in the principal fields of economic activity.

FOOD AND AGRICULTURE

BASIC SITUATION

Throughout the region, including Japan and Korea, there live an estimated 1,125 million people, or over one-half of the world's population. Agriculture accounts for nearly three-fourths of the region's gainfully occupied population.

The consumption pattern is that of a population living on a subsistence level. More than fifty per cent of the income is expended on food, twenty to thirty per cent on shelter and clothing, and five to six per cent on fuel and light, little being left for the satisfaction of other wants. Of the foodstuffs consumed, by far the largest share is comprised of plant foods; hence the diet is mainly vegetarian, lacking fats, proteins and vitamins. Housing facilities are very poor, especially in the urban areas, and owing to destruction during the war, extreme timber shortage and absence of building activity after the war,

dwelling conditions for the "common man" are appalling in most cities of Asia. In China alone, forty-two million people were estimated to have been displaced from their normal abode during the war, and in the troubled conditions of civil war this number may not have been greatly reduced subsequently. The partition of the Indian sub-continent into India and Pakistan involved the migration of more than eight million people.

There is serious shortage of staple food grains in large parts of Asia. Rice is the most important cereal in the diet of the people. Two-thirds of the Asian inhabitants are estimated to be rice-eating and one-sixth predominantly wheat-eating. Corn, millet, kaoliang, sweet potatoes, barley, and oats are consumed when neither rice nor wheat is available or as additional items in the meagre diet. Millions of people are living under the threat of starvation because of floods, droughts, plagues, and difficulties of transportation, the incidence of these various factors being enhanced by political disturbances. The population growth adds to the pressure on the scarce material resources, particularly in those areas of low economic activity that were subjected to Japanese occupation during the war. Only Siam, Burma and Indo-China, the traditional food surplus territories of the area, appear to have maintained, by and large, their pre-war dietary levels. In certain parts of India, Malaya and China, food consumption per head is reported to have shrunk to less than eighty per cent of what it was before the war; in other parts of China, in Korea, the Philippines, and Java it varies between eighty and ninety per cent of the pre-war standard. Local famines erupt from time to time in China and have also occurred in India in recent years. Urban rations in India presently allow for only seventy-five per cent of pre-war consumption.¹

During the war, draught animals perished or were slaughtered, irrigation works and agricultural tools and implements deteriorated or were destroyed over vast areas of the Far East. Fertilizers were not available, since imports were in large measure halted and local production was practically paralysed. The forced requisitioning of food by the Japanese army caused great tracts of land in the occupied territories to be left fallow. Since the war, the rehabilitation of agriculture has been slow in most countries of the East owing to such diverse factors as disintegration of the economic organization and government administration, the breakdown of transport facilities impeding the shipment of goods from surplus to deficit areas even within single countries, and lack of foreign exchange with which to pay for imports of equipment, fertilizers and quality seed, as well as of insecticides and veterinary medicines to curb rampant plant diseases and animal plagues. Furthermore, in certain parts of the region runaway inflation tends to discourage the farmers from expanding production beyond their own immediate requirements.

AGRICULTURAL PRODUCTION

Foodstuffs

Cereals. Under the burden of the manifold impediments referred to above, which obviously vary in prevalence from country to country, there was no noticeable improvement in the region's cereal crops as a whole in 1946/47 as compared with 1945/46.

The rice crop harvested in the 1946/47 crop year, though nearly five per

¹ *Report of the Secretary-General of the International Emergency Food Council to the third meeting of the Council, February 1947, page 57.*

cent larger than that of the preceding year, still fell short of the pre-war average by some six to seven per cent. Of the two largest producers—as will be seen from the statistical summary given in a subsequent chapter, “The World Food Situation”—China was still in 1946/47 about 6 million tons short of its pre-war average crop of 53.5 million tons, while the crop in the combined territories of India and Pakistan was somewhat larger than the pre-war average crop of 39 million tons. This increase did not keep pace with the population growth. Simultaneously the imports of food which used to come from Burma and other countries before the war were greatly reduced.

A five per cent decline in the rice crop of the Indian sub-continent is foreseen for the 1947/48 crop year. In Japan, damage from typhoons and floods which have occurred in the current crop year is likely to reduce the rice crop (11.5 million tons in 1946/47) by some three per cent. Also in Indo-China, formerly a rice exporter, whose production had dropped by 1946/47 to barely two-thirds of its pre-war volume, a further crop reduction is anticipated for 1947/48. In China and Korea and in Malaya somewhat larger rice crops than were harvested in 1946/47 are in prospect for 1947/48. Somewhat improved crops are also anticipated in Burma and Siam, traditional rice exporters, whose production and exports in 1946/47 were, however, still far below their pre-war averages. Rice exports in 1947 are estimated at only 0.8 million tons from Burma and 0.4 million from Siam, as compared with 3.5 and 1.7 million tons, respectively, exported by the two countries in 1939. In the region as a whole the 1947/48 rice crop now being harvested approximates that of the preceding crop year.

An estimated reduction by nine per cent in the wheat crop of India and Pakistan contrasts with improved crops in China and Japan of that cereal, important among the supplementary items in the average Asian diet. As the region's output of other foodstuffs, commented upon in some further detail below, is reported to have been substantially maintained, it would appear that, on balance, aggregate food production in the current crop year barely equals the inadequate output of 1946/47.

Sugar. Owing to the troubled political conditions in Indonesia, sugar production in Java, averaging about 1.5 million tons before the war, has not so far revived from the low level to which it dropped during the Japanese occupation. Philippine production, reported to have amounted in 1946 to barely 1.5 per cent of the pre-war output of 852,000 tons, is estimated for 1947 at 18.5 per cent of that figure. By contrast, India's sugar production expanded from a pre-war average (1935 to 1939) of about 3,350,000 tons¹ to nearly 3.6 million tons in 1943. It dropped subsequently to less than 3.3 million tons in 1945, however, and a continued decline (approximately 2.5 per cent) is reported for 1946. Owing to reduction in sugar-cane acreage under the Grow More Food Grains Act (1945), a further shrinkage of the output is anticipated for 1947.

Oils and fats. With the notable exception of the Philippines, whose production and exports of copra have of late been remarkably expanded, Far Eastern output and consumption of fats and oils generally remain far below pre-war levels. The shortage of fats is particularly marked in Japan, owing mainly to

¹ This and subsequent production figures quoted for India represent refined sugar content of brown sugar produced.

the decline in the whaling industry. Malaya and Indonesia have begun to resume vegetable oil exports on a moderate scale.

Meat and fish. In large parts of the region serious depletion of the generally sparse livestock herds was caused during the war by military requisitioning, emergency slaughter, outright destruction, and widespread diseases that could not be checked for lack of veterinary supplies. In China the reduction ranged from twenty per cent of the pre-war livestock population in some provinces to forty per cent in others. Rebuilding of herds is necessarily a slow process, especially where impeded by shortage of feeding stuffs.

War operations wrought havoc among fishing boats and implements. On V-J Day, half of China's fishing equipment was gone, and what remained was greatly impaired by lack of maintenance. Subsequently UNRRA rendered precious assistance in rehabilitating fishing in China, with the result that a significant increase in the fish catch is reported. Substantial additions of motor-powered tonnage have also been made to the devastated fishing fleets in the Philippines and Indonesia, where ambitious plans have been drawn up to expand the fish catch beyond pre-war high levels in the near future.

Commercial and Industrial Crops

Tea. Tea production since 1942 has been inadequate to meet the world's requirements. Effective world demand is estimated at 860 million pounds, while the visible supply in the 1946/47 tea year totalled 704 million pounds, thus leaving a deficit of over 150 million pounds. The chief producers, India and Ceylon, which have maintained their output at pre-war rates, supplied ninety-six per cent of the 1946 exports. Both countries have greatly expanded their internal consumption, from a total of 107 million pounds in 1939 to an estimated total of 157 million in 1947. Tea production in China, Indonesia and Japan has declined substantially because of war devastation. The expectations for 1947 were that not more than 20 million pounds would be forthcoming for export from these countries. Since the tea plant requires four to five years of growth before it can produce suitable leaves, reconstitution of pre-war supplies cannot be expected before 1950.

Cotton and other fibres. The principal clothing material used in Asia is cotton, although silk and wool are also of importance. Before the war only India and China, among the countries of the Far East, were significant producers of cotton, and India alone was an exporter of raw cotton. Owing to the devotion of a larger proportion of the cultivated area to food crops on the one hand, and the expansion of domestic processing of textiles on the other, the supply of raw cotton for export from India has declined considerably during and since the war. China's production of raw cotton in 1936 was 848,800 metric tons. At the end of the war it had fallen to 258,100 tons, but according to latest information, production in 1947 had recovered to 550,000 tons—still far short of requirements.

Cotton-growing was promoted in various parts of South-East Asia during the Japanese occupation and has been continued since the war in view of the shortage of cotton apparel. The future will show whether this production is economically warranted under more normal circumstances.

India and Pakistan account for about ninety-eight per cent of the world production of jute. The growing areas are centred in Bengal, which now falls mainly within Pakistan. During the war years, the jute area was restricted by

the government in view of the food shortage. Subsequently, while prices were favourable, production was somewhat increased to keep the jute mill industry employed. In 1947, however, production fell considerably, a great proportion of the jute land having been diverted to rice-growing. In the Philippines where abaca (Manila hemp) accounted, before the war, for ten per cent of the total value of exports, the recovery in the production of that fibre has been rather slow, owing to lack of skilled labour and to difficulties regarding title to former Japanese-owned estates. No revival of production and export of fibres has taken place so far in Indonesia, which before the war had become a large exporter of fibres.

The principal producers of raw silk in Asia were China and Japan. While Japan produced three-fourths of the visible world supply in 1934 to 1938, one-tenth was accounted for by recorded Chinese production. In addition, there was in China, a large unrecorded production of raw silk. The wholesale destruction of mulberry trees during the war greatly narrowed the production basis for natural silk. Troubled monetary conditions, shipping difficulties and shrinkage of export markets caused further decline in the output of raw silk in both Japan and China. By 1946, their recorded production had dropped to ten per cent and fifty per cent, respectively, of the pre-war volume. The development of synthetic substitutes for the natural product makes it highly improbable that raw silk will regain its pre-war position.

Rubber and tung oil. Rubber production in the region recovered to the pre-war average in 1947 as a result of large tappings in areas where normal production facilities had been restored. In Indonesia, the largest source of supply in Asia before the war, production is still only one-half of the pre-war volume.

Owing to the development of supplementary synthetic production, natural rubber seems to be the only raw material of vegetable origin for which there may be a potential surplus, a large part of the acreage planted with rubber trees still remaining untapped.

Table 29
WORLD PRODUCTION AND CONSUMPTION OF RUBBER
1946 and 1947

	1946	1947 (estimated)
	<i>(Thousands of long tons)</i>	
Natural rubber production:		
Malaya	404	621
Indonesia	175	288
Rest of Asia	171	232
Latin America	40	52
Other sources	46	42
	836	1,235
Synthetic rubber production:		
United States and Canada.....	790	600
	1,626	1,835
Estimated world consumption.....	1,472	1,730

Source: Rubber Statistical Bulletin, Vol. 2, September and October 1947.

Tung oil is a traditional monopoly of China. Before the war China produced 120,000 tons per year. Owing to destruction and dislocation of transport, production dropped sharply during the war and had practically ceased by 1943; although substantial quantities were again exported by 1946 these were very far short of the pre-war average. As tung trees require three years to mature, no significant increase in output can be expected before 1949.

Measures to Improve the Supply Position

Rehabilitation programmes have been drawn up in the various countries of the region to promote expansion of food production. With the assistance of UNRRA, China achieved the restoration of the Yellow River to its original course, whereby about 2.3 million acres of cultivable land have been reclaimed. UNRRA has also assisted in re-equipping the fishing industry and has been instrumental in setting up a National Agricultural Engineering Corporation and providing local centres for manufacture and distribution of agricultural implements. Additional projects look to the completion, within a three-year period, of the effective irrigation of approximately 270,000 hectares of land, with the anticipated result of increasing the annual production of rice by 200,000 tons.

India is pursuing a plan for increasing its food-grain production. The target set by this plan is an increase, by 1951/52, of three million tons in the annual output of food grains. The schemes devised to this end cover research, improvement in fertilizers, implements and irrigation, and technical training of personnel. Similar, though less comprehensive, programmes exist in other Asian countries.

Siam's agricultural rehabilitation plans fell far short of their target in 1946. Export commitments under the rice procurement programme could not be met. Shortage of draught animals, adverse weather conditions, and low prices applied in government purchases seem to have been the principal factors hampering the recovery in agricultural production.

Burma's agricultural restoration has been impeded by floods, transportation difficulties, and shortages of basic consumption goods. The land tenancy problem, however, presents a more fundamental difficulty. Disputes concerning the payment of rent and the eviction of tenants seriously interfered with the realization of the agricultural goals in 1946.

A rice conference is planned to be held in Asia in 1948 under the auspices of the Food and Agriculture Organization to assist in the realization of plans to improve the critical rice situation confronting the countries of the Far East, while the Economic Commission for Asia and the Far East, at its second session held in November 1947 at Baguio in the Philippines, made arrangements to secure fruitful joint efforts by the two bodies towards the agricultural reconstruction and development of the region.

INDUSTRY

In those parts of the Far East that were subjected to enemy occupation during the war, industry suffered serious dislocation if not complete paralysis. while in those other parts which were actively associated in the war efforts of the Allies the industrial equipment was exposed to the strain of incessant intensive use, causing considerable deterioration of machines that could not be adequately maintained. War damage to public utilities, and wear and tear

on what installations and equipment could be kept in use, have drastically curtailed the supply of electric power, gas and water in the industrial centres in many countries of the region, and have accordingly hampered their industrial recovery. Recovery has been held back also by lack of the foreign exchange necessary to purchase new, or to replace obsolete, machinery and by lack of domestic capital formation. Inflation and political unrest are further slowing down reconstruction. Finally, the undernourishment of workers that has resulted from the shortage of food is in no small part responsible for the decline in industrial output.

Post-war mineral production is below pre-war levels in practically all the devastated countries. Destruction of mining installations and oil refineries, for the restoration or replacement of which requisite capital and materials are lacking, has so far prevented resumption of oil production in Burma. In Indonesia, oil production in 1947 amounted to only five per cent of the pre-war output.

Tin mining in Burma at present is negligible. Production in Malaya is about fifty per cent of the pre-war output. In Indonesia, where some new dredges, ordered during the war, were available, production has recovered to about fifty per cent of the pre-war level.

In the Philippines, restoration of gold and iron production is delayed by technical obstacles, while silver production has risen slightly above, and coal production well above, pre-war levels.

Mineral production in China is only a fraction of what it was before the war, and owing to dislocation of transport and other disturbances, the ore mined cannot be made readily available for export or to domestic industries in acute need of it.

Textile manufacturing in the region lags far behind the needs. In China, whose cotton spinning and weaving industry before the war produced about 55 million kilogrammes of yarn and nearly 1,100 million metres of cloth annually, the output of cotton products has greatly declined. Only some 3 million cotton-spinning spindles have been operating in 1947, compared with 5 million spindles installed before the war and an estimated 12 million that would be required, according to Chinese authorities, to make the country self-supporting in cotton manufacture at a reasonably satisfactory level of consumption.

India's cotton cloth production, averaging nearly 3,800 million metres in 1937 to 1939, rose to a war-time peak of 4,450 million in 1943, but fell back to but little over 3,500 million metres in 1946 and may prove to have declined further in 1947, as the domestic raw cotton supply shrank (for reasons referred to in the preceding section of this chapter), and the number of hours worked in the mills contracted in consequence of abolition of the three-shift system. Similarly, India's cotton yarn production, having risen from a pre-war average of 560 million kilogrammes to a peak of 762 million in 1943, dropped to 600 million kilogrammes in 1946 and continued receding in 1947.

The extreme contraction which has overtaken what was once the region's largest source of textile manufactures is shown by the following figures summarizing Japanese production in different branches of the textile industry.

Table 30

TEXTILE PRODUCTION IN JAPAN, 1937-47

Product	Unit of measure	1937	1939	1941	1943	1945	1946	1947 ^a
					(Millions)			
Cotton cloth	<i>Square metres</i>	4,036	2,467	1,111	906	46	202	(590)
Cotton yarn	<i>Kilogrammes</i>	720	506	318	113	26	59	(137)
Rayon yarn	<i>Kilogrammes</i>	152	108	76	23	3	4	(7)
Staple fibre	<i>Kilogrammes</i>	80	137	135	55	10	9	(8)
Wool yarn	<i>Kilogrammes</i>	67	56	42	24	6	13	(13)

Source: Statistical Office of the United Nations, *Monthly Bulletin of Statistics*.

^a Annual rate estimated on the basis of monthly data available.

By the end of the war, Japan was left with only 3.8 million of its pre-war 11.5 million cotton-spinning spindles.

Japan has fared no better in other industries, particularly the heavy industries, a field in which India made substantial progress during the early years of the war. The incipient heavy industries in China, apart from Manchuria, were all but annihilated by the enemy aggression that preceded the world-wide war. They have as yet been restored only in part and are not capable of satisfying any large proportion of the requirements, which have meanwhile greatly increased. Relevant production data, so far as available for the three countries, are given in table 31.

It will be noted that the trend of Japan's manufacturing production as a whole was markedly downward from 1941; steel production culminating two years later, in 1943, came almost to a complete halt for some time after V-J Day, and had by 1947 recovered only to twelve per cent of the 1943 volume. India's iron and steel production also declined, though much more slowly, during the latter part of the war and the first post-war year; in the first half of 1947, a revival set in which brought pig iron production to about eighty per cent, and steel production to ninety per cent, of the war-time peak.

In all the countries of the Far East, except Japan with its highly developed and diversified industrial system, foreign capital has played a predominant part in the development of the major industries. The large foreign investments made in the industries of India and Ceylon prior to the war were predominantly British. During the war much of this capital found its way back to Britain. In Burma, Siam, Malaya, Indo-China, the Philippines, and Indonesia, foreign capital has fostered the development of teak, rubber, and vegetable oil production, mineral extraction and oil refining. In China, before the war, foreign investments controlled practically all the railways, two-thirds of the shipping industry, most of the iron mines and over half of the coal production, while small-scale industries as a rule were run with Chinese capital. Small-scale, light industries, in fact, offered a favourable field for native capital throughout the region. The tendency of domestic capital to assume an increasing share in the development of major industries also, a trend that began to assert itself some time before the war, has gained in force with the political changes brought about or precipitated by the war and is manifesting itself most actively in India and China and also in the Philippines and Indonesia.

Table 31

EVOLUTION OF OUTPUT OF SELECTED INDUSTRIES IN JAPAN, INDIA, PAKISTAN
AND CHINA, 1937-47

	1937	1941	1943	1945	1946	1947 ^a
<i>Japan:</i>						
Index of industrial production:						
Total production	100	123	110	38	19	(24)
Manufacturing	100	123	108	36	16	(20)
Mining	100	121	131	51	46	(57)
Unit of measurement						
Pig iron	1,000 tons ^b	2,304	4,236	3,984	504	180 (350)
Steel	1,000 tons ^b	5,796	6,840	7,724	1,068	552 (950)
Cement	1,000 tons ^b	5,832	5,832	3,768	1,176	924 (1,400)
Coal	1,000,000 tons ^b	45.3	55.6	55.5	22.6	20.4 (25.5)
Electricity	1,000 million kwh	27.2	34.0	34.8	20.1	27.1 (32.0)
<i>India and Pakistan:</i>						
Pig iron	1,000 tons ^b	1,655	2,040	1,776	1,356	1,344 (1,620)
Steel	1,000 tons ^b	924	1,396	1,380	1,296	1,248 (1,250)
Cement	1,000 tons ^b	1,140	2,124	2,148	2,244	2,052 (2,000)
Coal	1,000,000 tons ^b	22.7	26.5	23.1	26.4	26.8 (28.6)
Electricity ^c	1,000 million kwh	2.0 ^d	2.6	2.7	3.8	3.9 (3.5)
<i>China:</i> ^e						
	1936					
Pig iron	1,000 tons ^b	800	..	..	..	..
Steel	1,000 tons ^b	400	..	..	..	..
Cement	1,000 tons ^b	600 ^g	..	..	..	165 (400)
Coal	1,000,000 tons ^b	41.0	..	..	..	18.5 (15.0)
Electricity	1,000 million kwh	4.0	..	..	..	1.5 (3.2)

Source: Statistical Office of the United Nations, *Monthly Bulletin of Statistics*; League of Nations, *Statistical Year-Book*.

.. Not available.

^a Annual rate estimated on the basis of monthly available data.

^b Metric tons.

^c British provinces only; excluding energy generated by the Public Works Department and military stations.

^d 1938.

^e The pre-war figures shown include production in Manchuria as follows: pig iron and ferro alloys 647,000 tons; steel ingots and castings 344,000 tons; coal 13 million tons; electricity 1,300 million kilowatt hours. The figures shown for cement, coal and electricity production in 1946 and 1947 are estimates based on the recorded output of plants under the control of the National Resources Commission, accounting in 1947 for the following shares in the total production of each of the three commodities: electricity 65 per cent, cement 50 per cent, and coal 36 per cent. With reference to iron and steel production see footnote ^f below.

^f Iron and steel works under the control of the National Resources Commission are reported to have turned out 31,000 tons of pig iron and 17,000 tons of steel in 1946. Steel production in NRC-controlled plants in 1947 would appear, at the rising rate reported for the first six months, to have exceeded 50,000 tons. Corresponding 1947 data for pig iron are not available, nor has information been received as to the proportion which the above production bears to total output of pig iron and steel, respectively.

^g 1934.

In line with this development, the matter of technical education and training is now receiving special attention on the part of government authorities in the region. University education in Asia, though highly developed in certain respects, has so far laid emphasis principally on the arts, while little attention

has been paid to technical subjects. As a general rule workers in Asia, again with the exception of Japan, only acquire skill "on the job", without adequate knowledge of the basic principles governing the technical work they are set to perform. Experimental beginnings in teaching those principles to men already manually skilled have, however, been made with encouraging results in India and China. In the Malayan Union and Singapore, telecommunication, surveying, and engineering-design apprentices are trained in the field by public works authorities. Modern tin dredges have been in use for years in Malaya, and workers have been trained in their operation. In the Philippines, the government-owned Agricultural Machinery and Equipment Corporation is training men in the use of tractors and agricultural tools.

Governments in the countries under Japanese occupation were unable in most cases to prepare for post-war reconstruction by providing opportunities for their nationals to receive advanced training abroad. The Chinese Government, however, instituted a programme under which over 1,500 Chinese nationals have received or are receiving intensive training in the United States, for the greater part under Lend-Lease arrangements, and chiefly in the economic field. Moreover, between 1941 and 1947, according to a statement by the Ministry of Economic Affairs, 4,383 workers in various industries and 6,677 workers in government administration received training in China and further plans for vocational and industrial training are under consideration by the Chinese Government.

Various schemes to promote the technical education and training abroad and at home, of Indian students and workers have been put into operation in recent years. For the year 1947-1948, the Indian Government has furnished 180 scholarships of different kinds, mainly for studying engineering, agricultural techniques and animal husbandry, in foreign countries. On the recommendation of a scientific man-power committee a programme has been instituted to provide financial assistance for the training at universities and assimilated technical institutions in India of some 27,700 professional engineers, while as a correlative measure, all industrial establishments have been obligated by law to admit technical trainees for practical work. Another scheme which came into effect in January 1946 is designed to provide for the technical training of 30,000 demobilized soldiers per year in agriculture, cottage industries, commercial occupations, and other trades.

Similar measures are being attempted or are contemplated by the authorities in several other countries of the Far East as an integral part of their industrial reconstruction and development plans. In the study programme of the United Nations Economic Commission for Asia and the Far East, particular attention is accordingly given to the problems of technical education and training of the peoples of the region.

TRANSPORT AND COMMUNICATIONS

SHIPPING

With a continental coastline of some 20,000 miles and outlying archipelagos of vast extent, Asia is highly dependent on sea transport, not only for its trade with the rest of the world, but also for communications among the different countries of the region, and for their domestic trade and transportation.

In the past, European countries held the major share of the Asian shipping trade. Great Britain's share was the greatest; that of the United States was almost negligible, except in the case of Philippine shipping. In the late inter-war years, the distribution by national flags of the shipping engaged in carrying the trade of China and the five major trading countries of South East Asia was the following:

Table 32

PERCENTAGE DISTRIBUTION BY NATIONALITY OF TONNAGE OF MERCHANT
VESSELS ENTERED AND CLEARED IN 1936-39

Nationality of vessels	China	Indo- China	Siam	Malaya	Indonesia	Philippines
British	17.6	35.2	26.4	34.4	30.7	31.0
Dutch	4.0	7.6	13.4	25.6	46.7	7.1
French .....	..	25.5	..	..	..	0.5
Norwegian	5.2	5.3	25.6	6.6	9.4	10.1
Danish .....	..	..	9.9	..	..	..
Japanese	51.6	9.6	14.3	12.0	2.9	21.6
Other (including domestic)	21.6	16.8	10.4	21.4	10.3	29.7*
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0

Source: Institute of Pacific Relations, *An Economic Survey of the Pacific Area, Part II, Transportation*, by Katrine Greene (New York, 1942).

.. Not available.

* Including ten per cent United States tonnage engaged in oversea shipping.

War losses have wiped out most of the Japanese merchant fleet, which has shrunk in size from 5.6 million gross tons in 1939 to 1.1 million in 1947. The Pauley Report recommended a total of 1.5 million tons for Japan's post-war merchant marine, but the ceiling for shipbuilding and repair facilities was subsequently set at a level permitting the construction of 150,000 gross tons annually and the servicing of a merchant fleet of three million gross tons. Until a peace treaty has been signed and agreement has been reached regarding the nature and the permissible level of Japanese shipping in the future, Japan remains an unpredictable factor in shipping in the Far East.

In 1937, China's merchant fleet of steam and motor ships totalled 600,000 tons. By V-J Day, it had been reduced to but little over 80,000 tons. It has subsequently been augmented by ships taken over from the Japanese or purchased from abroad. At the present time, according to statistics compiled by the Navigation Bureau of the Ministry of Communications, China has 1,017 sea-going vessels and 1,601 river boats, totalling 808,815 tons.

India, before the war, had almost no oversea shipping trade of its own and controlled only about thirty per cent (135,000 tons) of the vessels engaged in coastwise trade, including trade with Ceylon and Burma. Shipping losses during the war were 34,000 tons, but in December 1946 the total shipping tonnage was 200,000. Ships at present under construction will add another 150,000 tons to that total by the end of 1948.

Of the Dutch merchant tonnage regularly servicing the Netherlands Indies before the war—over one million tons largely engaged in inter-island and

regional transport—about one-half was lost during the war. By mid-1947, 761,000 tons of ocean-going vessels were again in service.

During the war, in most of the countries occupied by the Japanese a large proportion of the small craft used for inland transport or coastwise trade was destroyed or put out of commission. Many harbours were silted up, ship-building came to a standstill, and shipyards and port installations were demolished or deteriorated for lack of maintenance. Since the Japanese surrender, a great deal has been accomplished in the way of repairing port facilities in the region and improving them by deepening harbour entries; yet much remains to be done in this respect.

Endeavours are being made in practically all Asian countries to encourage national shipping by various means and to promote the development of the national merchant fleets. In China foreign firms are now excluded from coastwise and internal shipping. In India a commission was set up in 1945 to study the possibilities of a national shipping policy which would increase India's participation in the trade within Indian waters and between Indian ports and the outside world. The recommendations of the commission have been accepted in principle by the Indian Government. The avowed goal is to reserve the coastwise trade of India for Indian ships and to have seventy-five per cent of the kindred coastwise trade with Burma and Ceylon carried by Indian ships within the next five to seven years. Endeavours will also be made to capture a substantial part of the oversea shipping trade. Similar though less ambitious plans exist in other Asian countries, but it is realized that their execution will be difficult. Since shipyards are overloaded with orders and already existing tonnage may not prove easy to purchase on the requisite scale, substantial difficulties have to be overcome. Even if ships should be available, the new lines would have to prove their ability to meet the challenge of foreign competition.

National marine schools have been opened or expanded to train native seamen to take their part in the programmes outlined. In Indonesia indigenous companies are supported and ships are given them on credit to promote a national shipping policy. Siam's share in its external shipping is now about six per cent, after a recent purchase of vessels. The Government of the Philippines has been able to purchase or charter a considerable number of ships from the United States. With American aid, a large shipyard will be built, comprising four docks to accommodate ocean vessels; the Philippines ocean shipping fleet has increased from 82,248 tons in 1936 to 100,004 tons in 1947. The tonnage of vessels plying on inland and coastwise waterways in the Philippines is still only about one-third of the pre-war figure. The Asian countries hope that their endeavours to develop national merchant marines will help to alleviate their balance of payment difficulties.

Owing to the great reduction in the physical quantity of exports and imports of the area, merchant shipping, as measured by tonnage entered and cleared through the ports falls short of its pre-war volume. In China the total for 1946 was only one-seventh of the pre-war total, and even in India the pre-war tonnage has not been reached.

RAILWAY TRANSPORT

The railway facilities of the region as a whole were mostly in an early stage of development before the war. As a result of the war and of post-war strife

in various parts of the region, e.g., in China, Indonesia, and Indo-China, transport conditions have greatly deteriorated. Entire lines were broken up, bridges and tracks, locomotives and other rolling-stock went out of commission or were destroyed. Substantial expenditures of capital, materials and labour will be required to reconstruct the former rail transport system.

A comparison of the pre-war railway facilities of the several countries of the region is made in the table below.

Table 33
PRE-WAR RAILWAY FACILITIES IN ASIA

	Area (Thousands of sq. miles)	Population (Millions)	Railway mileage (Miles)	Area served by 1 mile of railway (Sq. miles)	Persons served by 1 mile of railway (Number)
India and Pakistan	1,581	389.0	57,245	28	6,795
China excluding: Manchuria	2,903	422.7	13,820	210	30,586
Indo-China	286	23.7	2,095	137	11,313
Siam	200	15.6	2,060	97	7,573
Indonesia ^a	234	57.9	4,556	51	12,709
Burma	262	16.6	2,266	116	7,326
Malaya	51	5.4	1,068	48	5,056
Philippines	116	16.3	833	139	19,568
Japan	148	73.1	15,187	10	4,813
Korea	85	22.8	2,321	37	10,220

Source: Compiled from Institute of Pacific Relations, *An Economic Survey of the Pacific Area, Part II, Transportation* (New York, 1942), and United Nations Economic Commission for Asia and the Far East.

^a Figures relate to Java, Madura and Sumatra only.

In China in March 1947, about half of the pre-war mileage of railways was in operation, but since then a considerable part has again been cut off. The situation is approximately the same in Indonesia and Indo-China. In Burma by mid-1946 the railways were working only at one-third of pre-war capacity. With the exception of the Indian railway system, the railways of the region cannot be fully utilized because of inadequacy of rails and accessories, ties or sleepers, steel bridging, spare parts, workshops and rolling-stock.

Table 34
RAILWAY ROLLING-STOCK IN ASIA
Pre-war and 1945-47

	Pre-war			1945-47		
	Loco- motives	Freight cars	Passenger coaches	Loco- motives	Freight cars	Passenger coaches
India ^a				8,621	235,240	44,295
China	(1,000) ^b	(15,000) ^b	(2,000) ^b	1,891	23,918	2,714
Indo-China ..	207	2,358	482	103	943	193
Siam	217	3,833	322	240	4,340	310
Philippines ..	178	2,427	397	52	1,457	87

Table 34 (continued)

	Pre-war			1945-47		
	Loco-motives	Freight cars	Passenger coaches	Loco-motives	Freight cars	Passenger coaches
Malaya	173	5,805	..	225	3,884	..
Burma	360	10,000	1,200	16	3,000	100
Indonesia ...	6,210	28,300	3,566	..	..	..

Source: United Nations Economic Commission for Asia and the Far East.

.. Not available.

* Precise pre-war data are not available, but the number of locomotives and other rolling-stock in India is reported to have increased somewhat during the war.

^b Figures relating to December 1937 cover only equipment in areas then under Chinese National Government control. The greater part of the equipment existing prior to the Japanese invasion had either been destroyed or had been lost to the Japanese.

In most of the countries, long-range programmes for railway improvements have been drawn up. The plans include restoration of bridges, and repair and extension of tracks and of rolling-stock.

ROADS AND HIGHWAYS

The conditions of road transport resemble those of railway transport. Seasonal roads usable for six months of the year and roads fit for animal traction are the most common in Asia. Motor roads or highways practicable in all weather are scarce. Malaya and Java notably had the best system of such roads before the war. The total length of highways in Malaya was 6,800 miles; the density ratio was 7.5 square miles of area per mile of road. In India there were 65,000 miles of highways, in Indonesia 64,040, in Indo-China 17,000, in Siam 4,400, in China 50,000, in the Philippines 12,709, and in Burma 8,750 miles. The ratio between total area and road mileage varied, but showed in each case a lesser degree of development than in Malaya. As an aftermath of the war the roads are generally in a deplorable state, their restoration having been slowed by lack of material and high relative cost of labour.

AIR TRANSPORT

As ship, rail and road connexions have become more difficult, increasing use has been made of air transport facilities. Many of the countries within the area have concluded agreements with each other and with western nations whereby national airline companies are permitted to establish trans-boundary service on a reciprocal basis. For lack of trained personnel in Asia, many of the planes are flown and serviced by foreign pilots and mechanics, but extensive training schemes are being developed to prepare nationals for these functions. Generally the condition of the airports leaves much to be desired, but in many places improvements are being made and new fields constructed.

Civil aviation development in India has made considerable progress owing to the training which Indians received during the war. On 30 June 1947, twenty-two air services (including one external service from Calcutta to Rangoon) were operating in India, and the total number of aircraft then registered was 482. The traffic carried, in ton-miles, amounted to seven million in the first half of 1947 compared with five million in the second half of 1946 and two million in the whole year of 1945. China possessed eighty-three air-

craft (imported from the United States) compared with twenty-two before the war. The number of ton-kilometres flown has increased from 500,000 to 15 million, including flights effected outside the boundaries of China by planes in international air service.

Air transport in Indonesia has greatly increased since before the war, mainly through the use of aircraft owned by the Netherlands Indies Government and military transport aircraft. Air transport has been greatly expanded also in the Philippines. During the first nine months of 1947 air lines carried over fifteen times as many passengers and 166 times as much freight as they did in the whole year of 1941.

INTERNATIONAL TRADE

The fact that Asia is as yet in an early stage of economic development is reflected in the pattern of the foreign trade of the constituent parts of the continent. Except as regards Japan, and in lesser degree India, the exports are mainly of raw materials and foodstuffs, whereas textile manufactures, processed foods, chemicals, and machines constitute the greater part of the imports.

The Far East accounts for only a minor part of the world's trade, as is shown by the table given below; yet international trade is important to the Far Eastern economy.

	Exports		Imports	
	1938	1946 (Millions of U.S. dollars)	1938 (dollars)	1946
I. Total world trade.....	22,600	33,200	25,000	34,000 ^a
II. Trade of principal Far Eastern trading territories ^b	3,119	2,375	3,179	3,281 ^c
		(Per cent)		
II as percentage of I.....	13.7	7.2	12.7	9.7

Source: Statistical Office of the United Nations.

^a Total of recorded imports which in most cases exclude UNRRA deliveries and various other government purchases, and also exclude freight and insurance on imports into the United States, Canada, the Union of South Africa, and some other countries.

^b Territories specified in subsequent table.

^c Total exports of the United States to the Far East were \$1,328 million in 1946, or forty per cent of the Far-Eastern imports here shown; in 1938 the corresponding ratio was approximately eighteen per cent.

In 1936 to 1938, 5.3 million tons of rice per annum entered international trade within the Far Eastern area, whereas in 1946/47 only 1.7 million tons of rice were available for export. The difference between the two tradable quantities entailed for the rice-deficient countries, e.g., India and China, an even poorer diet than the meagre fare they enjoyed before the war.

Prior to the war the cash crops, such as rubber, tea, copra, and other tropical products cultivated by the indigenous population, were largely exported. Although the prices fetched by these products were relatively low, the proceeds of the exports enabled the peasants to raise their standard of living somewhat and to improve their diet. While the goods other than foodstuffs and cash crops that entered the export trade were mainly derived from resources controlled by non-indigenous enterprise, they provided additional income for the inhabitants of the region.

Foreign trade in the Far East, with the exception of that of China, India and Ceylon, came to an almost complete standstill during the Japanese occupation. Such oversea exports as took place were mainly directed to Japan, and were, in fact, in the nature of a war tribute uncompensated by imports from Japan. Most of the countries of Asia therefore did not accumulate foreign exchange balances needed for post-war reconstruction and development or repayment of debts.

In terms of value unadjusted for price changes, Far Eastern exports in 1946 fell short of their 1938 volume by nearly twenty-four per cent, while imports showed a slight increase (about three per cent) in nominal value. Such comparison, however, is deceptive in view of the very considerable rise in the level of export and import prices between 1938 and 1946. In terms of pre-war prices, imports no doubt were substantially smaller in 1946 than in 1938, and the decline in exports considerably larger than shown by the "unadjusted" value data. The monthly trade figures so far available for 1947 suggest that, in the region as a whole, a substantial increase in the value of international trade has taken place, no doubt exceeding the simultaneous rise in price (in terms of United States dollars) of the goods exported and imported.

Table 35
TRADE OF PRINCIPAL FAR EASTERN TRADING TERRITORIES
1938, 1946 and 1947^a

	Exports			Imports		
	1938	1946	Annual rate 1947 ^a (Millions of U.S. dollars)	1938	1946	Annual rate 1947 ^a
China ^b	158	161	104 (8)	264	605	242 (8)
Manchuria	171			343		
Hong Kong	155	254	282 (6)	187	323	332 (6)
Indo-China	81	90	49 (10)	115	41	116 (10)
Siam	78	44	116 (4)	57	52	99 (4)
India and Pakistan	619	919	1,030 (4)	575	797	1,064 (4)
Ceylon	97	216	187 (4)	86	182	245 (4)
Burma	175	40	164 (6)	82	95	164 (6)
Malaya	326	375	617 (6)	314	458	717 (6)
Indonesia	379	92	119 (6)	268	133	244 (6)
Philippines	116	64	250 (6)	132	295	480 (6)
Japan ^c	764	120	270 (12)	756	300	430 (12)
TOTAL	3,119	2,375	(3,188)	3,179	3,281	(4,133)

Source: Statistical Office of the United Nations, *Monthly Bulletin of Statistics* and national sources.

^a For 1947 the number of months on which the annual rate is based is indicated in parentheses at the right of the figure.

^b The conversion coefficients used in calculating the United States dollar value of China's foreign trade in 1946 and 1947 have been furnished by the International Monetary Fund.

^c The 1938 data shown for Japan exclude trade with Formosa and Korea as follows: Exports, \$361 million; imports, \$329 million. The data for 1947 are preliminary estimates by the director of the Japanese Board of Trade.

In addition to the recorded commercial imports shown in the table above, China received UNRRA relief shipments valued somewhere between \$250 million and \$300 million in 1946 and at over \$200 million in 1947; other countries also are still in a relief and rehabilitation stage. In most Asian countries, trade and exchange controls are imposed with a view to selective curtailment of imports. War damages, transportation difficulties, political unrest, and shortage of labour in many instances have retarded the revival of exports, further hampered in some countries of the region by chaotic inflation. China is an extreme case in point, but other countries, too, find it difficult, under prevailing conditions, to compete on the world market. The scarcity of consumers' goods is an additional factor having adverse repercussions on exports since, in the circumstances, producers of cash crops are little inclined to increase their output for sale simply to increase their holdings of cash for which there are no consumption articles to be had.

Another problem confronting Asia is that of adjustment to the changed foreign trade position of Japan, closely bound up with the unsettled questions of reparations and the permissible level of Japanese industrial production.

Most of the economically undeveloped countries of Asia showed, in their pre-war export, a high preponderance of a few products. Despite plans to organize processing of raw materials locally before export and to diversify the economy, their post-war trade still presents essentially the same pattern. In the case of some countries, the few leading articles have changed somewhat in relative importance, as export facilities for the products needing little or no transformation were easiest to restore. In China, for instance, raw materials, such as tung-oil, bristles, tea, and raw silk, have taken the leading place formerly held by metals and simple textile manufactures. By contrast, the pre-war trend towards a shift in emphasis from raw materials and semi-processed articles, to manufactured goods in India's exports and, inversely, from finished goods to raw materials in India's imports, has gained somewhat in strength during and since the war.

The intra-regional merchandise trade accounted in 1938 for forty-five per cent of aggregate imports and forty-two per cent of aggregate exports recorded in the statistics of the countries of Asia. The true percentages were somewhat lower, as articles merely passing through Hong Kong and Singapore, the *entrepot*-ports of the region, on their way to other parts of the world should be excluded from the totals. With the virtual elimination of Japan as supply and purchasing centre and the increase of the United States share in Asia's trade it would seem that the region's dependence on the outside world has grown in post-war as compared with pre-war years. The increase in the share of Australia in Asia's trade has been remarkable. Australian exports to Asia rose from 47.6 million dollars in 1938-1939 to 192.2 million dollars in 1946 to 1947, while imports from Asia increased from 66.7 to 108.5 million dollars. Canada and New Zealand have also increased their trade with the Far East considerably and are likely to expand it further as the economically advanced countries in the Pacific area or bordering on it tend to replace in increasing degree the industrial countries of Europe as suppliers of manufactured goods to the under-developed parts of the area.

India's exports to British Empire countries rose during the war, while its imports from those countries declined noticeably in response to increased home production. This tendency has been strengthened since the war. Those coun-

tries, e.g., Siam and Burma, which export rice for consumption within the region receive payment mainly in sterling and are accordingly short of "hard" currencies to finance their imports. In fact, practically all the Asian countries are experiencing a great dollar shortage. An additional difficulty is that, so long as the exchange value of the Japanese currency remains undetermined, the textile products and other items which are available for Asia from Japan have to be paid for in dollars. An agreement was recently concluded between Japan (through the Supreme Commander for the Allied Powers) and certain countries of the sterling area, whereby buying from and selling to Japan will be effected in sterling, the balance only to be settled semi-annually on a dollar basis. The Philippines, on the other hand, face a different problem; being in the dollar bloc the country has difficulty in finding outlets for the goods actually available for export.

The situation described above has caused exchange control and import restrictions in various forms to be imposed in practically all countries of the region. The import of non-essential items is generally prohibited.

In some countries the trade restrictions have the avowed purpose of providing an opportunity for indigenous enterprise to participate in a substantial degree in the export and import trade which prior to the war was mainly in the hands of Western, Chinese or Indian trading firms.

PRICES AND FINANCE

Inflation varying in strength from country to country hampers economic reconstruction in large parts of Asia and the Far East. Throughout the region it has expressed itself in rising prices. The spurt in prices reflected in cost of living and related indexes was rapid everywhere in the first six to twelve months following the end of the war in the East and the cessation of the Japanese occupation. In a few cases, during the year and a half that has elapsed since the middle of 1946, the rise lost momentum, e.g., in India, or gave way to a downward adjustment, e.g., in the Philippines and in Indonesia (so far as can be judged from the index of free market prices of food in Batavia); but in the majority of the countries of the region the upward pressure continued, notably in Japan, and above all in China, struggling in the throes of hyper-inflation.

The changes in price levels reflected in the index numbers of the cost of living suggest a relatively "moderate" degree of inflation in Ceylon, India and British Malaya, the recorded rise since before the war to the most recent month in 1947 for which data are available ranging approximately between 160 and 170 per cent. (The United States cost-of-living index rose by 56 to 57 per cent over the same period.) For Burma as well as the Philippines a rise of some 375 per cent in the price of food is reported, a corresponding rise of about 300 per cent being shown by the complete cost-of-living index for the Philippines. Corresponding increases in cost of living of over 1,300 per cent in Siam, of some 1,500 per cent in Indonesia, almost 2,700 per cent in Indo-China, and about 3,900 per cent in North Borneo were shown by their respective index numbers. In Japan, where a war-time rise of 150 per cent in cost of living up to May 1945 was followed by a violent spurt raising the index nearly twenty-fold in one year's time, a new index of family expenditures in Tokyo available as from July 1946 shows a further increase but little short of 200 per cent in the ensuing thirteen months up to August 1947. In China the astronomic figure which the index of workers' cost of living in Shanghai had

reached by February 1947 was nearly quadrupled in the following seven months to September.

Since price ceilings as a rule are imposed on many if not all of the necessities covered in the cost-of-living computations, the index numbers quoted above obviously understate the rise in prices to the extent that higher prices are actually paid for the commodities in question by the consumers, a condition commonly prevailing in the countries under review. Furthermore, by reason of their structure and of the methods applied in their computation, cost-of-living indexes tend to register price-level changes only with a certain time lag.

The underlying causes of the unsettled price situation obtaining in the region have their origin in the upheavals of the war and the internal strife which has followed in a great many of the Far Eastern countries. Though resulting in part no doubt from the persistent shortage of essential goods and reflecting also the widespread flight into commodities, the major cause of the pressure on prices is to be sought, on the whole, in the plight of government finances involving budget deficits which, although reduced below the war-time peaks in most cases, continue to loom large in comparison with what they were before the war. Some summary illustration of these deficits, particularly significant in the hyper-inflationary situation of China, is furnished in the table given below.

Table 36
GOVERNMENT BUDGETS

	Fiscal year	Unit of currency	Revenue (a)	Expenditure (b)	Deficit (c)	(c) as per cent of (b)
<i>(Millions of currency indicated)</i>						
China	1938	CN\$	745	941	196	20.8
China	1947	CN\$(1,000 millions)	15,700	42,100	26,400	62.7
British Malaya ..	1939	SS\$	148	137	11	7.4
Singapore	1947	SS\$	56	64	8	12.5
Malayan Union..	1947	SS\$	213	335	121	36.1
India	1938/39	Rs	1,210	1,217	7	0.6
India	1946/47	Rs	3,362	3,815	453	11.9
India	1947/48	Rs	2,794	3,279	485	14.8
Philippines	1941	Peso	132	169	37	21.9
Philippines	1947/48	Peso	130	269	139	51.9

Source: Official data quoted in national publications.

Military expenditure and expenditure on relief, reconstruction and development, salary adjustments and emergency allowances to government employees, etc.—all purposes for which but moderate appropriations, if any at all, were made before the war and for the financing of which in the post-war years the ordinary sources of revenue proved largely inadequate—account in the main for the deficits. Fiscal reform designed to improve the balance between receipts and expenditure takes time to bring about and is inevitably delayed where there is internal strife. The Chinese Government spends more on the civil war, directly and indirectly, than for all other purposes taken together. Expenditures for defence expenditures and internal security account for 29 per cent

of the 1947/48 budget estimate of the Philippines. Proportionally high expenditures for military purposes are also incurred elsewhere. Heavy outlays on food subsidies are budgeted in most countries of the region; in Singapore they represent some eleven per cent and in the Malayan Union over seven per cent of total estimated expenditures in 1947. The exact proportion actually spent on reconstruction and development is somewhat difficult to determine. As a significant illustration it may be noted, however, that in the 1947 budget of the Malayan Union allocations for railway reconstruction projects alone represent about eleven per cent of total expenditure.

Endeavours made in the different countries to step up tax revenue have not met with spectacular success anywhere so far, owing to the impoverishment and general economic disorganization brought about by the war and the inefficiency of tax collection, the machinery for which requires comprehensive reform. In particular, the plight of the export industries which before the war were the principal sources of revenue, especially in the south-eastern countries of the region, has been of serious consequence. For this condition, of course, the disruptions in international economic relations are largely responsible.

Potential inflationary pressure is likely to continue so long as the shortage of consumption goods and, especially, of food persists. Various administrative measures of price control, in part through import regulation (recently tightened in China), have been attempted since the end of the war. They were relaxed somewhat during 1946 in a few countries of the region but were generally sharpened again in 1947 and rendered more comprehensive in some cases by the introduction of additional measures. As a rule, however, sufficient supplies of food and other consumption goods are not at the command of the governments in the region to render price ceilings truly effective.

Exchange control and control of interest rates are other regulatory measures applied with varying degrees of success. A Foreign Exchange Equalization Fund Committee was set up in China in 1947. In Siam a Foreign Exchange Board has been created to direct allocation of foreign exchange under the supervision of the Bank of Siam. India has taken steps to control speculation on the stock-market, as well as on the commodity and bullion exchanges and has proceeded to nationalize the Reserve Bank. In the Philippines a Central Bank Council has been set up pending the organization of a central bank proper.

Under the Colonial Development and Welfare Act of 1945, funds have been allocated by the United Kingdom to British Empire territories in the Far East as follows: Hongkong, £1,000,000 sterling; Borneo and Sarawak, £1,500,000 sterling; Malaya, £5,000,000 sterling. Furthermore, funds for Burma's reconstruction have been furnished by the United Kingdom. Burma's debt has been reduced and repayment of the balance will be made in easy instalments over a long period.

The foreign exchange holdings which China had at the end of the war have since been expended—for a considerable part on food imports. The large sterling balances of India are still substantially intact, since only a small annual amount is released by the United Kingdom for the purchase of food and capital goods, owing to its own balance of payment difficulties. Credits for specific purchases have been extended by India to Siam and by Canada to China and Indonesia.

Since the end of the war, the United States Government has made available to Asian countries loans in the amount of approximately \$500 million to buy United States surplus property or for other specific purposes. The Philippines have received large sums under the Philippine Rehabilitation Act (1946) for rehabilitation and settlement of war damage claims. Additional dollar funds, more than adequate to cover the large import surplus, continue to be made available in consequence of United States Army expenditures in the Philippines. Utilization of these dollar holdings for the purchase of capital equipment necessary to strengthen the internal economic structure is being planned.

Chapter 4

THE MIDDLE EAST¹

THE ECONOMIC PATTERN OF THE MIDDLE EAST

STRUCTURAL CHARACTERISTICS

The countries of the Middle East are predominantly agricultural and are dependent for the greatest part of their national incomes on agriculture and the production of primary raw materials. Their agrarian structures rest, for the major part, on a common system of land tenure characterized by a high degree of concentration of landownership in a limited group of large owners, together with strip and extensive cultivation. Primitive methods and antiquated equipment are common, and, together with the pressures of the socio-economic structure, result in a low level of productivity and of *per capita* income. The standard of living of the rural population as a whole is at the barest subsistence level, with inevitable consequences of disease, short life expectancy, and illiteracy. The impact of such conditions on the whole economy can hardly be exaggerated, since about seventy per cent to eighty per cent of the total population draws its livelihood from agriculture.

Industry constitutes a small sector of the economies of the Middle East, engaging not more than from four per cent to six per cent of the total population. While it is composed predominantly of small-scale handicraft units, a continuous process of concentration of capital in certain lines of production has been under way.

Population is growing rapidly despite the high death rate. Egypt has doubled its population in fifty years, Syria and Lebanon in twenty years, and Iraq in a still shorter period. This rapid rate of growth has exceeded the pace of economic development, thus increasing the pressure on existing resources and causing a further deterioration in the standard of living.

The main problem of the Middle East is essentially one of fully utilizing available resources, in order to meet the requirements for livelihood of a rapidly increasing population.

IMPACT OF THE WAR

The structure of the economy of the Middle East countries did not undergo any substantial change as a result of the war, though new factors were introduced which affected general economic conditions. Agriculture is still the main occupation, and land the main economic asset. However, some significant developments resulted from war conditions. With the ruling out of possibilities for major irrigation works to extend the cultivation of land, and population growth continuing at a high rate, the need for certain adjustments in the structural organization of agriculture was increasingly recognized. Iran and Turkey moved towards such an adjustment through limited small-scale agrarian

¹ For the purpose of this report, the Middle East includes Egypt, Iran, Iraq, Lebanon, Palestine, Saudi Arabia, Syria, Transjordan, Turkey, and Yemen.

reform, while in Egypt a similar proposal was under consideration. In addition, quantitative as well as qualitative shifts took place in agricultural production, resulting in an increase in the output of cereals and other food products at the expense of commercial crops. Whether a complete return to the old pattern will take place will be influenced largely by price structures, both local and in world markets. While it cannot be claimed that the increase of food crops has led to any substantial improvement in the very low nutrition levels in the Middle East, it is certain that a significant beginning has been made.

Manufacturing activities were increased during the war years; existing industries were expanded and new ones emerged. Though no post-war industrial census has been undertaken, there is every indication that those gainfully employed in industry at the present time exceed the corresponding figures for the pre-war years. This, together with the growing process of capital concentration in industry, gave rise to a class of industrial workers whose living requirements, capacity for organized action, and awareness of its strength as a social force distinguish it sharply from the rural working population.

GROWTH OF CAPITAL ACCUMULATION

For a long time, the Middle East was characterized by a shortage of capital which was both a cause and a reflection of an under-developed state of economic activity. Investments were largely financed by an increasing inflow of foreign capital to the countries of the area where no legal restrictions existed. This inflow of foreign capital clearly tended to favour certain fields of investment where security and profitability were most certain. Public utilities, banking enterprises and land mortgages were the most favoured. Since an inconsiderable part of foreign capital was directed to manufacturing industry, its development was slow, although some advance occurred.

During the war, an important change took place in the rate of savings and investments, as well as in the direction of investments. War conditions raised the level of local economic activities and accelerated the rate of capital accumulation. This accumulation, in turn, stimulated the expansionary tendencies which consequently multiplied the rate and pace of capital growth to an extent, even allowing for inflation, not reached before in the region.

In addition, during the war certain countries in the region accumulated large sterling assets, amounting to £E440 million for Egypt,¹ £P135 million for Palestine,² and to some £60 million for Iraq.³

In July and August 1947 the British Government concluded agreements with Egypt, and with Iraq regarding the settlement of the sterling balances. Under its agreement with Egypt,⁴ that country was to withdraw from the sterling area and the United Kingdom was to release about £35 million during the second half of 1947. According to the Iraqi agreement⁵ the British Government was to release £7 million as a special provision of non-renewable character, and £15 million over a five-year period.

¹ Official census by the Egyptian Government of all public and private sterling holdings, as on 31 December 1945.

² Government of Palestine, *Supplement to Survey of Palestine*, June 1947; official estimate for December 1946.

³ *The Economist*, 22 August 1947; this figure represents the assets of the government, the Currency Board and Iraqi banks; private balances are excluded.

⁴ *The Economist*, 5 July 1947.

⁵ *Ibid.*, 23 August 1947.

Both agreements were affected by the decision of the British Government on 21 August 1947 to suspend the convertibility of sterling, whether accruing from releases in accordance with such bilateral agreements or acquired through current transactions. Consequently a new agreement was reached in the case of Egypt, whereby during 1948 the United Kingdom will release £33 million to Egypt out of that country's sterling balances. The United Kingdom will also provide it with dollars and other hard currency, equivalent to £6.25 million, and with £1 million in gold.¹ The growth of capital accumulation in the Middle East is of great significance and will provide valuable stimulus for the economic development of the area. So far as data are available, the situation regarding means of international payments, other than from proceeds of exports, is presented in table 37.

Table 37

OFFICIAL HOLDINGS OF GOLD AND FOREIGN EXCHANGE^a
In certain countries of the Middle East—1938, 1946 and 1947

	Gold			Foreign Exchange			Total			Short-term assets in the U.S. ^b
	Dec. '38	Dec. '46	Aug. '47	Dec. '38	Dec. '46	Aug. '47	Dec. '38	Dec. '46	Aug. '47	May '47
	<i>(Millions of U.S. dollars)</i>									
Egypt	55	53	53	15	69	56	70	122	109	20.5
Iran	26	127	..	..	53	..	..	180	..	..
Turkey	29	237	174	5	70	110	34	307	285	57

Source: Based on data in International Monetary Fund, *International Financial Statistics*, November 1947.

.. Not available.

^a Official holdings represent those of the Issue Department of the National Bank of Egypt, of the Issue Department of the Central Bank of Iran and of the Central Bank of Turkey.

^b Official and private.

As short-term assets in the United States shown in the table include both official and private holdings, it is assumed that there is overlapping between these amounts and official holdings of foreign exchange. No information is available as to the composition of these holdings.

Apart from the available resources, \$100 million has been advanced to Turkey by the United States Government under the Greek-Turkish aid act but it was allocated entirely to military needs. Iran has applied for a loan of \$250 million from the International Bank for Reconstruction and Development to finance its proposed Seven-Year Plan of Economic Development.

AGRICULTURE

During the war years the extension of the area under cultivation in the Middle East took place at a slow rate. Lack of capital equipment hampered the implementation of any large-scale irrigation schemes. In Egypt, the cultivated area expanded from 5,301,694 *feddans* in 1939 to 5,698,110 *feddans*

¹ *The Times* (London), 6 January 1948.

in 1945,¹ and in Syria from 1,904,079 hectares to 2,263,412 hectares² over the same period.

However, war conditions affected the productive capacity of the land adversely. The area normally depends on extensive importation of fertilizers, particularly nitrogenous fertilizers, whose import was drastically curtailed during the war. In addition, the normal rotation systems in the countries of the Middle East were disrupted in the process of regulating the various crop areas. The areas devoted to non-food crops were generally restricted, as in the case of cotton in Egypt, or opium poppies in Iran, to ensure an increase in food production. These two factors resulted in a decline in the yield per unit of land as compared to the pre-war levels. The production of principal crops for the years 1939 and 1945 is shown in table 38:

Table 38

PRINCIPAL AGRICULTURAL PRODUCE IN CERTAIN COUNTRIES OF THE MIDDLE EAST
1939 and 1945

	Egypt	Iran	Iraq	Palestine	Syria- Lebanon	Turkey
Cotton			(Thousands of bales)			
1939	1,893	59	11	—	31	275
1945	1,082	71	..	—	20	166
Tobacco			(Thousands of pounds)			
1939	—	34,542	9,999	2,760	8,825	128,505
1945	—	20,000	12,500	3,000	7,200	109,900
Sugar ^a			(Thousands of short tons)			
1939	167	21	..	..	..	75
1945	198	27	..	..	..	110
Wheat			(Thousands of bushels)			
1939	45,848	72,184	18,114	3,244	19,485	135,690
1945	43,436	77,161	16,534	3,500	21,000	82,158
Barley			(Thousands of bushels)			
1939	10,697	35,728	31,677	3,238	15,386	96,129
1945	11,988	57,411	29,854	3,226	10,844 ^b	48,915
Corn			(Thousands of bushels)			
1939	63,229	..	..	..	..	22,971
1945	66,496	..	..	..	..	14,000
Rice			(Thousands of bushels)			
1939	33,155	18,577	11,176	..	..	3,050
1945	42,454	20,727	12,200	..	..	3,721

Source: Food and Agriculture Organization of the United Nations, *Handbook of Agricultural Statistics*, 1946.

.. Not available.

— Nil.

^a Cane sugar in Egypt; beet sugar in Iran and Turkey.

^b 1944.

¹ Alihsa Alsanawi (*Annuaire statistique de Poche de l'Egypte*), 1940 and 1946. One feddan equals 1.038 acres.

² Magmoat Alihsat (*Receuil statistique de Syrie*), 1946. One hectare equals 2.471 acres.

Table 38 (continued)

Fruits	Egypt	Iran	Iraq (Thousands of boxes) ^c	Palestine	Syria- Lebanon	Turkey
1939	6,934			9,185	1,557	
1945	6,892			9,098	2,001	
			(Short tons)			
1939		36,200				110,720
1945		36,300				100,100

^c Dried fruits in Iran and Turkey, citrus fruits in the other countries.

A higher degree of diversification of crops was achieved during the war years as a result of the regulation of agricultural production by the governments. But it should be noted that this was the effect of pressing needs for more food rather than an attempt to reduce the usual dependence of some of the countries on one crop. Moreover, this diversification was limited in both nature and extent. The rigidities inherent in the structure of agriculture in the Middle East do not make such diversification easy and, in fact, most of the regulations were relaxed after the war conditions ceased to exist. However, extensive research and experimentation are being pursued by some governments in the area in order to secure diversification and thus to raise the levels of agricultural productivity and ensure a higher degree of stability.

For the year 1946 a generally high level of agricultural production which considerably exceeded the pre-war levels was recorded. This might be attributed mainly to the particularly favourable weather conditions which prevailed during that period.

In 1947 the weather was not so favourable. Droughts and locust plagues occurred in many countries of the area (Syria, Lebanon, Transjordan, and Palestine), causing a decline in agricultural production.

During the war the livestock situation improved generally in most countries of the Middle East. This improvement ensured—*inter alia*—a substantial increase in the output of raw wool. The comparative situation is displayed in the following table:

Table 39

LIVESTOCK AND RAW WOOL PRODUCE IN CERTAIN COUNTRIES OF THE MIDDLE EAST, 1939 and 1945

	Egypt	Iran	Iraq	Palestine	Syria- Lebanon	Turkey
Cattle			(Thousand head)			
1939	2,021	2,797	374	169	..	7,177
1945 ^a	2,329	1,960	466	243	..	8,200
Sheep						
1939	1,752	13,813	7,090	209	2,327	16,080
1945	1,385	12,500	9,000	296	2,789	19,000
Wool			(Millions of pounds)			
1939	6.8	50.9	20	..	7.9 ^b	48.5
1945	8.1	43.8	27	..	10.5 ^b	70.3

Source: Food and Agriculture Organization of the United Nations, *Handbook of Agricultural Statistics*, 1946.

.. Not available.

^a Iran 1942; Iraq 1944; Palestine 1943.

^b Syria only.

The effect of this increase on the levels of net consumption cannot be measured readily. While figures relating to livestock slaughtered in public slaughter houses (representing in most cases, it would appear, but a small proportion of total slaughter) show some increase, it should be taken into account that the population increased and many foreign troops were stationed in the area during the war.

INDUSTRY, MINING AND FUEL

DEVELOPMENT OF RAW MATERIALS

The Middle East still has large unexplored potentialities in the field of mineral extraction, since only limited efforts were made in this direction during the war.

War conditions adversely affected the development of mineral production in most cases except for particularly indispensable products. This was mainly owing to the acute shortage of mining equipment and machinery normally imported from abroad, and in certain cases owing to military operations and international conditions. The following table presents a general picture of the impact of the war on the exploitation of the principal mineral resources.

Table 40

EXTRACTION OF MAIN MINERALS IN CERTAIN COUNTRIES OF THE MIDDLE EAST

	Turkey		Egypt		Palestine	
	1939	1946	1939	1945	1939	1944
			(Metric tons)			
Iron ore	231,316	112,200	719	4,036	—	—
Copper ore	6,736	10,046	—	—	—	—
Chromium ore	183,285	146,997 ^a	—	150	—	—
Nickel ore	—	—	630	—	—	—
Wolfram ore	—	—	1,373	—	—	—
Sulphur	2,606	3,780 ^a	—	—	—	—
Manganese ore	519	5,095	119,882	47	—	—
Phosphate	—	—	547,537	349,374	—	—
Potassium chloride ...	—	—	—	—	70,093	105,050
Salt	—	—	442,532	255,107	8,736	19,055
Gypsum	—	—	700,166	..	4,524	7,428

Source: *Türkiye Cumhuriyet, Merkez Bankası, Uc Aylık Bulten*, (Bulletin trimestriel de la Banque centrale de Turquie, Oct/Dec. 1946); Alihsa Alsanawi (*Annuaire statistique de Poche de l'Egypte*, 1946); Government of Palestine, *Statistical Abstract of Palestine*, 1945.

.. Not available.

— Nil.

^a 1945.

Mining is now being resumed and a great deal of attention is being directed towards securing all types of necessary machinery. It is mainly upon the provision of such machinery that the resumption and the progress of mineral production in the Middle East depends. Nevertheless, the extension of means of transport and the provision of some essential facilities (e.g., water supplies in desert areas) would play a major part in such progress.

FUEL AND POWER

Resources of fuel and power are abundant in the Middle East. Turkey, the only producer of coal in the area, is progressively increasing its production. In the period from 1939 to 1946 the quantity of coal mined in Turkey rose from a monthly average of 225,000 to 319,000 tons; that of lignite increased from a monthly average of 8,500 to 37,200 tons. Much of this was consumed locally for industrial purposes. Coal and iron production in Turkey are substantially responsible for the progress made in establishing heavy industries that were initiated and developed under Turkey's industrialization plans. Large deposits, estimated to be richer than those now being exploited, have yet to be fully prospected. The realization of the Government's development target is dependent on the provision of the equipment that would be required not only to extend the capacity of the industry, but also to replace the present antiquated and worn-out equipment and transport facilities.

The Middle East is generally identified with the vast oil resources spread throughout the countries of the region. While practically all these countries are known to have such deposits, they have not yet been explored in some parts of the region (Syria, Lebanon and Yemen), while in the others a relatively small number of the proven oil fields have been tapped. Table 41 shows how output has increased considerably over the last few years.

Table 41
MIDDLE EAST OIL PRODUCTION, 1939 AND 1946

	1939	1946
	<i>(Thousands of barrels)</i>	
Egypt	4,666	8,913
Iran	78,151	144,896
Iraq	30,791	32,777
Saudi Arabia	3,934	60,341
Other territories:		
Bahrain	7,589	8,010
Kuwait	—	5,990
TOTAL	125,131	260,927

Source: World Oil Atlas, 1947.

— Nil.

At present, the Middle East contributes about 9.5 per cent of the world's oil production, as compared with 6.1 per cent in 1939. In the considerable increase of world production of oil in 1946, the Middle East recorded the greatest growth, its 1946 production being thirty-three per cent greater than 1945 levels; the second greatest percentage increase was in South America, where the increase amounted to 14.4 per cent. The daily average output of the Middle East countries at the beginning of 1947 was about 50,000 barrels more than the average for 1946. The Middle East countries contributed at varying rates to that increase: Saudi Arabia almost tripled its production, Iran increased production by almost fifteen per cent; Bahrain and Iraq increased their output considerably, but Egyptian output decreased by five per cent. However, the opening of a new field during the first part of 1947 is likely to increase Egypt's output appreciably during the year. The proven reserves of the region at the

beginning of 1947 were estimated at 27,413 million barrels, an amount which represented 40.9 per cent of estimated world reserves.

Refining capacity in the area has been increased considerably, thus keeping pace with the increase in production. The refineries are distributed throughout the Middle East as table 42 shows.

Table 42

REFINING CAPACITIES AND CRUDE OIL PRODUCTION IN THE MIDDLE EAST, 1946

	Number of plants	Daily refining capacity	Daily crude oil production (Barrels)
Egypt	2	29,400	24,419
Iran	2	402,500	396,975
Iraq	3	7,000	89,800
Lebanon	1	1,500	—
Palestine	1	90,000	—
Saudi Arabia	1	100,000	165,318
Other territories:			
Bahrain	1	105,000	21,975
Kuwait	—	—	16,411
TOTAL	11	735,400	714,868

Source: World Oil Atlas, 1947.

— Nil.

As regards power, the Middle East is an important potential source for hydro-electricity, which could be generated from the water-resources throughout the area, particularly the rivers of the Nile, the Jordan, the Euphrates, and the Tigris.

An important hydro-electric project being undertaken in Aswan, Egypt is expected to increase the electricity generated in the country to about 2,000 million kilowatt hours per annum. The present output of electricity is estimated to be about 600 million kilowatt hours per annum as compared to 300 million in 1939. In Palestine, too, production has increased from 90 million per annum in 1939 to 250 million in 1946. While no statistical data on the production of electric power in the other countries of the Middle East are available, figures for consumption by public utilities as well as for industrial uses, show a substantial increase in Turkey, Iraq, Syria, and Lebanon.

INDUSTRIAL EXPANSION

War conditions provided a strong impetus for industrial expansion in the Middle East.

Turkey developed certain heavy industries. This was made possible by the country's resources of iron and coal, as well as by industrial planning. Table 43 shows the production at Karabuk, the centre of those industries, for the years 1942 to 1944, for which statistical data are available:

Table 43
TURKEY'S METAL INDUSTRIES
Production of Karabuk Works, 1942-44

	1942	1943 (Metric tons)	1944
Coke	178,127	182,975	208,000
Pig iron	67,350	57,332	69,000
Steel	50,107	42,748	60,780
Iron and ingots.....	93,454	91,751	90,000
Cast iron pipes.....	4,900	6,188	..
Steel profiled shapes.....	50,000	36,228	44,313
Sheet metal	4,000	..	..

Source: *Etudes et conjoncture Economie Mondiale*, July and August 1946.

.. Not available.

It is evident that while economic activity generally continued at the same rate and some development even took place in certain lines, the expansion of production and the increased extraction of raw materials was hampered by shortages of capital equipment. The new Five-Year Plan, for 1947 to 1951, is mainly an industrialization programme which assigns high production targets for these lines of production.

Other efforts to develop metal industries, though on a smaller scale, took place in Iran, Egypt and Palestine. With the completion of the hydro-electric plan in Aswan and the utilization of the proven iron deposits of the area, Egypt will be able to develop certain branches of the metal industry. This plan, the carrying out of which has just started, envisages the use of electric power, for the production of artificial fertilizers and pig iron, in two government-owned plants which are to be erected in the region.

The types of industry prevalent throughout the Middle East are mainly those connected with the processing of the raw materials abundant in the area and include textiles, sugar and other food processing manufactures, cement and chemical industries. Table 44 shows the increase in the output of certain industries during the war in those countries for which data exist.

Table 44
INDUSTRIAL PRODUCTION IN CERTAIN COUNTRIES OF THE
MIDDLE EAST, 1939 AND 1945

	Cotton fabrics		Cement (Thousands of metric tons)		Glass	
	1939	1945	1939	1945	1939	1945
Egypt ^a	25.5	37.1	353	444	2.4	5.4
Iran ^b .....	..	..	..	..	—	2.5
Palestine ^c .....	.71	3.3	110	151	..	2.8
Syria and Lebanon ^d ..	5.6 ^e	10.9 ^{ef}	..	171.4	..	..
Turkey ^g .....	..	60.0 ^g	275	290.2	1.1	1.5

.. Not available. — Nil.

^a Source: Alihsa Alsanawi (*Annuaire statistique de Poche de l'Egypte*, 1946).

^b Source: *Statistique annuelle du commerce extérieur de l'Iran*, 1946.

^c Source: Government of Palestine, *Statistical Abstract of Palestine*, 1945; and *A Survey of Palestine*, 1946.

^d Source: Magmoat Alihsaat (*Receuil de statistiques de Syrie et du Liban*, 1944).

^e Millions of metres. ^f 1943.

^g Source: Konjonktur Ministère turc du Commerce (*Conjoncture*), April-June, 1947.

While table 44 gives a general picture of the important industries for which data were available, it should be emphasized that the picture is not complete. Food processing and beverage industries developed substantially in Egypt, Lebanon, Palestine, Iraq, and Syria. Egypt, for instance, increased its food processing output from 400 tons of canned meat and fish in 1939 to 20,000 tons in 1945.

Chemical industries expanded greatly in Turkey, Egypt and Palestine. Turkey now has a developed chemical industry which, under the new Five-Year Plan, envisages a large-scale expansion that would set the country's capacity at figures much larger than domestic consumption.

The capacity of chemical factories in Egypt in 1945 was almost 200 per cent larger than in 1939. The increase was particularly high in the output of superphosphates, sodium carbonate and soap. The Aswan hydro-electric plan foresees the erection of an artificial fertilizer factory with capacity to produce over 400,000 tons of calcium nitrate per annum. Chemical industries in Palestine, processing the minerals of the Dead Sea, expanded considerably during the war. Among the main products are potash, bromine and chlorine which are produced in large quantities.

A general characteristic of the industrial development throughout the region during the war is that it took place at a time when there was practically no competition from foreign products. Consequently, the questions of cost were less critically examined and high prices prevailed. With the flow of imports resuming a more normal level, many of the newly expanded industries may find it difficult to meet foreign competition. This situation results in pressure to raise tariff rates on competing products.

On the whole, certain conditions must exist in order to sustain and advance the recent industrial development in the Middle East. Raising the level of productivity is dependent mostly on replacing antiquated and worn-out equipment. It should be noted, however, that many of the factories set up in recent years are equipped with modern machinery and this accounts for their comparative efficiency.

Further, most of the Middle East countries went a long way in fixing their tariff schedules to fit the requirements of industrial development. Reduction of tariffs on capital equipment and machinery has been realized in many of these countries, while the trend towards tariff protection is gaining support both officially and non-officially.

The prospect of industrialization in the Middle East rests, to a considerable degree, on increasing the purchasing power of the masses so as to constitute an effective demand for the industrial products of the area. In this respect it is connected with the broader issue of the development of the area.

THE PROBLEM OF INFLATION

All the countries of the Middle East experienced inflation during the war, the main source of which was the huge military expenditure made in this area. Such expenditures were financed, except in the case of Turkey, through the issue by the various governments, of local currency notes covered by sterling balances in London. Contrary to the practice of other Middle Eastern countries, which either maintained balanced budgets or showed some surpluses, Turkey financed its military expenditure by floating loans, and thus had large budget deficits. The inflationary influence of the budget deficit was intensified

by extensive British and German purchases of strategic raw materials between 1941 and 1943.

Throughout the area, the volume of monetary circulation increased, as much as five to eight times. A substantial addition to the existing purchasing power was thus created; this gave rise to the initial increase in demand. Such an increase was not offset by a parallel growth in the supply of goods. Inelasticity of local supply owing to the rigid structure of the agricultural economy was aggravated by a drastic curtailment of imports averaging as much as fifty per cent, in a normally deficit area, which usually depended on imports for many of its basic necessities. While productive capacity in almost all the countries of the Middle East increased substantially, this increase was not rapid enough to keep pace with the steep rise in demand. Indeed, a large part of local productive resources was shifted to the production of commodities needed for military purposes, or for the consumption of Allied troops. Moreover, since the standard of living is markedly low, and the consumption of even basic necessities is far below minimum standards, any increase in income in the lower brackets is bound to be spent on consumer goods, thus requiring a large increase in supply if inflationary tendencies are to be checked.

Beginning in 1940, prices moved upward at a rather moderate rate. A steep increase, however, took place in 1941, and inflationary pressures became pronounced from 1942 to 1945, inclusive, as is indicated in table 45.

Table 45

INDEXES OF WHOLESALE PRICES (A) AND COST OF LIVING (B) IN CERTAIN COUNTRIES OF THE MIDDLE EAST, 1939-47
(1937 = 100)

		1939	1940	1941	1942	1943	1944	1945	1946	First half 1947
Egypt	A	100	124	154	206	262	303	323	317	299
	B	102	111	137	183	240	272	287	282	..
Iran ^a	A	116	131	166	292	535	580	544	..	..
	B	121	134	184	326	787	916	779	698	688
Lebanon	A ^b	..	..	..	626	835	953	1038	889	803
	B ^c	100	110	..	319	470	594	607	553	505
Palestine	A	93	115	158	231	282	298	298	310	308
	B ^d	..	..	..	110	133	138	147	151	159
Turkey	A ^e	98	123	170	330	573	446	431	415	419
	B ^f	101	112	138	232	347	339	354	342	344

Source: Statistical Office of the United Nations, *Monthly Bulletin of Statistics*, No. 10, 1947.

.. Not available.

^a Prices in Teheran.

^b Prices in Beirut; base: June 1939 = 100.

^c Base: June-August 1939 = 100.

^d Base: January 1942 = 100.

^e Prices in Istanbul.

^f Cost of living in Istanbul; base: 1938 = 100.

While the index numbers in table 45 reflect the over-all trend and the general spread of inflation in the region, they should be read in the light of the background situation in the various countries. The figures relate almost entirely to controlled markets with fixed prices, which usually constituted a

relatively small sector. Black markets were not uncommon. Inadequate transport contributed to the difficulties of control and gave rise to wide discrepancies in prices.

High prices left wide margins of profit for the industrialists, landowners and traders. Wages, on the whole, showed an appreciable increase but did not balance the increase in prices; consequently real wages deteriorated, particularly in the case of agricultural workers. The profits accumulated by industrialists, landowners and traders exerted pressure of varying force on the market. Considerable capital was used in speculation, which affected lands and foodstuffs, as well as textiles and other products.

The rate of increase in prices decreased during 1945 although the upward trend still persisted. The slackening was due to the sharp drop in Allied military expenditures, to a slight recovery in imported goods, and to anti-inflationary measures.

These measures were not unsuccessful, though their achievement in slowing down price increases was limited. On the whole, price controls and rationing schemes, which were adopted in a few countries of the Middle East, were introduced rather late and were limited in scope. While they proved of value in Palestine, Egypt and, to a certain extent, in Turkey, their effects were hardly felt in the other countries of the area. Taxation intended to absorb the swollen purchasing power was seldom employed in the area, and where such taxes had been adopted they were at such low rates that they did not have any substantial effect. Redemption of foreign debts, and the floating of internal loans, measures adopted in Egypt, Iraq and Turkey, absorbed some of the excessive purchasing power.

Inflationary pressures were slightly relieved during 1946 but were still operative to a considerable degree. The wholesale price level moved downward, except in the case of Palestine where it continued to rise, but the decline was insignificant. The same trend for the first half of 1947 can be detected in the wholesale price indexes which are available.

The maintenance to date of these inflationary pressures is inevitable, owing to the backlog of demand for consumption goods as well as for capital equipment. However, liquid savings in the lower income groups were limited and are bound to be exhausted in the immediate future while, at the same time, local output and imported supplies are increasing. Private investment is now at a rate which hardly exceeds what is normal for an expanding economy. Moreover, private investments are mainly directed towards fields contributing to an increase in the output of consumers goods. In such conditions, deflationary influences may develop unless new factors affect the situation. Such a change might take place if the countries of the Middle East were to launch large-scale development activities not financed through increased, progressive taxes. The various plans of development envisaged by Egypt, Iran, Turkey, and other Middle Eastern countries involve large expenditures and, thus far, no evidence indicates that the governments intend to resort to substantial increases in the existing taxes.

FOREIGN TRADE

BALANCE OF TRADE AND BALANCE OF PAYMENTS

In terms of its international economic relations, the Middle East as a whole is a deficit area, usually depending on imports for its capital requirements as well as consumer commodities. In the 1930's Turkey, Iran and Egypt usually

had an excess of exports over imports while Iraq, Lebanon, Syria, and Palestine had a substantially passive balance of trade. While Turkey maintained its export surplus during the war years, Egypt and Iran developed a substantial deficit in their trade accounts. In the other Middle Eastern countries the deficits in their commodity accounts continued, though with wide variations from year to year. The trade statistics available for 1946 and 1947 suggest continuance of the same trend.¹

In the case of Iran, Iraq, Syria-Lebanon, and Palestine, invisible items such as oil royalties, tourists' expenditures and emigrant remittances, helped balance total international payments.²

No estimates of the balance of payments have been made public for Turkey since 1932, or for Egypt since 1936.³

INTER-REGIONAL TRADE

Among the developments which took place during the war years, the substantial growth in the inter-regional trade of the Middle East is very significant. The extent of this growth in 1945, as compared with 1939, is shown in table 46.

The available figures relate to the value of trade in merchandise and consequently are inflated by price increases. However, when deflated by the average rise in wholesale price indexes for the Middle Eastern countries, inter-regional trade still shows a considerable increase. Moreover, the existence of this underlying trend is supported by the growth in the quantum of Middle Eastern trade of countries for which trade statistics are available, e.g., Iraq, Syria and Lebanon.

A considerable part of that growth was the outcome of the relative isolation of the countries of the Middle East from their normal suppliers abroad and of the dislocations of those supply channels, caused by the war. Various measures of co-operation and co-ordination in the field of commercial exchange, taken by the States that are members of the Arab League—which is now considering the establishment of a customs union—contributed to that growth in inter-regional trade. The diversification of, and increase in, agricultural produce of certain countries of the area and the growth of industrial output contributed greatly to this result and is likely to be sustained for some years. In fact, available trade figures for 1946 and the first half of 1947 indicate a continuation of this general tendency during that period, characterized by a steady trend towards normalcy.

¹ Trade statistics for 1946-47 are published in: Syria and Lebanon: Maaloumat Ihsaiah (*Éléments statistiques de Syrie et du Liban, deuxième trimestre, 1947*); Turkey: *Konjonktur*, April and June 1947; Palestine: Palestine Government, *Supplement to Survey of Palestine*, June 1947.

² Latest information on the balance of payments of a number of these countries is recorded in the following publications: Almagmouah Alihsaiah (*Statistical Abstract of Iraq, 1939*); *Rapport du Conseil d'administration de la Banque de Syrie et du Liban, Octobre 1946*; Government of Palestine, *A Survey of Palestine*, Vol. 3, 1946.

³ The most recent statement on the balance of payments of Turkey appears in the League of Nations, *Balances of Payments, 1932*, and for Egypt in *Balances of Payments, 1936*.

Table 46

INTER-REGIONAL TRADE IN THE MIDDLE EAST,^a 1939 AND 1945

	Egypt (£E)		Iran (Rials)		Iraq (Dinars)		Palestine (£P)		Turkey (£T)	
	1939	1945	1939	1945	1939	1945	1939	1945	1939	1945
	<i>(Thousands of currency indicated)</i>									
Egypt ^b			18,232	40,520	232	758	697	6,695	2,097	27,289
Iran ^c	759	4,784			606	3,589	233	625.7	38	9
Iraq ^d	147	5,127	37,000	279,368			212.3	12,928	244	4,492
Palestine ^e	1,054	3,160	1,598	45,849	325	2,382			370	18,266
Syria	549	1,723	7,818	225,542	295	1,772	1,744.4	3,054	1,984	3,589
Turkey ^f	251	4,866	1,465	91,130	28	764	101.2	3,514.4		

^a Total trade in merchandise among the six countries concerned. The figures represent the total of imports and exports in thousand units of local currency.

^b Source: Alihsa Alsanawi (*Annuaire Statistique de l'Egypte, 1946*).

^c Source: *Commerce Extérieur de l'Iran, 1946*.

^d Source: *Commerce Extérieur Alihsaiah (Statistical Abstract of Iraq, 1946)*.

^e Source: *Statistical Abstract of Palestine, 1945*.

^f Source: Dis Ticaret, Aylık İstatistik (*Statistique mensuelle du commerce extérieur de la Turquie*), September 1946.

Chapter 5

AFRICA¹

In this brief review of current economic trends in Africa which are significant in relation to world economy,² it will be convenient to place events in a certain broad framework as follows: a distinction may be made between those African countries and territories which suffered a serious deterioration in their economic life as a result of the war and those which, in spite of certain shortages, experienced a net expansion of activity. Some of the territories in the former group, being the scene of actual conflict, suffered direct war damage. Among such were, for example, Tunisia, Tripolitania, Cyrenaica, and to a lesser extent, Ethiopia, Eritrea, British Somaliland, and Italian Somaliland.³ There were other areas in which economic deterioration was due rather to the indirect effects of the war, as for example, Algeria, Morocco, Madagascar, and French Tropical Africa.

It is also important to bear in mind that a very considerable portion of Africa is under the dominion of European countries and that in consequence problems of economic recovery and development in these areas are intimately associated with European problems. On the other hand, certain African countries enjoy sovereign independence (the Union of South Africa, Ethiopia, and Liberia), or very nearly so (Southern Rhodesia). Finally, it must be remembered that the level of economic development of the African continent, though varying among areas, is low and that Africa's contribution to world production before the war was smaller than its share of world commerce. This fact emphasizes the relative importance both of the extensions of development which the war has brought in certain parts of the continent and of the deterioration and disturbance which it has wrought elsewhere.

The problems of re-adjustment of economic life to post-war conditions vary broadly in conformity with the general pattern outlined above. Taking Africa as a whole, however, its current participation in world trade is relatively larger now than before the war.

¹ Excluding Egypt, which is dealt with in the chapter on the Middle East.

² This report aims at providing an adequate cross-section of current economic trends in Africa. In dealing in limited space with this large and heterogeneous continent, there must perforce be a number of omissions of significant events. Also, adequate information is not available on conditions in certain territories.

Statistical data on a continent-wide basis are generally limited in scope and are not always up to date. The standard of economic and statistical services varies considerably among African territories and countries, and a number of desirable statistical series are not available. It is hoped that the collection and classification of statistical data pertaining to Africa will be rapidly improved, and a few countries and territories are exerting efforts in this direction. Other shortcomings found in this report may be overcome as more of the available economic and statistical information is supplied to the United Nations.

³ Madagascar, sections of Kenya and of the Anglo-Egyptian Sudan, Morocco, and Algeria suffered only minor war damage.

Table 47

PARTICIPATION OF AFRICA (EXCLUDING EGYPT)
IN WORLD TRADE, 1938 AND 1946

	1938			1946 (estimate)		
	Exports	Imports	Total	Exports	Imports	Total
	<i>(Millions of U.S. dollars)</i>					
World total	22,137	24,864	47,001	33,710	39,450	73,160
Africa, except Egypt						
Amount	873	1,382	2,255	1,492	2,218	3,710
Per cent of total	3.9	5.6	4.8	4.4	5.6	5.1

Source: Data supplied by the International Monetary Fund.

The increase in the relative importance of African exports is partly attributable to the temporary decline of other sources of supply, particularly in Asia. A return to normal production in these areas will affect the competitive position of some African vegetable and mineral products.

RECOVERY OF DEVASTATED AND HIGHLY DISLOCATED AREAS

The problems of the devastated African areas are similar to, though, in general, less complicated than, those of Europe. Ethiopia and Eritrea were liberated at an early date and were integrated in the war-time economic organization of the Middle East. These countries have made marked progress toward recovery, although a number of serious problems remain. Large-scale reconstruction in Tripolitania and Cyrenaica awaits the political settlement with reference to the former Italian colonies. The interim stability that these territories had attained under British Military Administration was upset by the severe drought of 1946/47. In Tunisia much has been accomplished in the reconstruction of transport, and the production and export of phosphates has recovered to pre-war levels. However, owing largely to a series of droughts and the indirect effects of the war on agriculture, disequilibrium persists in French North Africa in spite of a number of favourable economic trends.

In Ethiopia during 1946 the value of exports, inclusive of bullion, rose by forty per cent as compared with 1945, owing to a high level of demand for the major products of Ethiopia and to the attention given to the repair and reconstruction of transport. Export gains were registered principally in coffee, hides and skins, cereals and pulses, and bullion. Tonnage in transit over the railway passing through French Somaliland approached, though it did not equal, the 1938 level. Imports increased by approximately the same percentage as exports.

	Exports (including bullion)	Merchandise imports
	<i>(Millions of U.S. dollar equivalents)</i>	
1945	16.6	15.4
1946	23.2	21.9

The Government has provided estimates showing further improvement in exports during 1947.¹ However, Ethiopia, currently, has a net deficit in its

¹ Secretary-General of the United Nations, supplementary report, *Financial Needs and Resources of the Non-European Devastated Countries* (document E/576/Add.1, 7 October 1947).

balance of payments on current account estimated at \$1.4 million. The deficit in trade with dollar countries, which is estimated at \$1.7 million, is partially offset in the total balance by a sterling surplus. The Government has an effective system of exchange and import controls, but the suspension of free convertibility of sterling exchange, which had been expected in 1947, has restricted imports from current earnings of needed capital and consumer goods. Price controls have been instituted recently in order to stabilize export trade, which has been disturbed by internal price increases. Labour troubles affecting railway transportation have been a further complicating factor.

Trends in Eritrea have been similar, in that exports, consisting principally of hides, skins and buttons, have increased during the first seven months of 1947, compared with the same period in 1946. Imports remained at approximately the same level.

	Imports	Exports	Re-exports
	(Thousands of £ sterling)		
1946 (7 months)	2,168	713	444
1947 (7 months)	2,197	1,051	715

Source: Barclays Bank (Dominion, Colonial and Overseas), *Overseas Review*, September 1947.

The maize and wheat crops for 1947 have been adversely affected by drought and locust invasions. As a result, wheat has been imported, and wheat prices have advanced sharply.

In 1946 French North Africa achieved major gains in production, reconstruction of transport facilities and exports, notwithstanding the shortage of shipping; the general situation in respect of non-agricultural production and exports is evolving favourably in 1947. A number of sectors of the economy have reached or exceeded pre-war levels of activity. Over-all industrial production is high, reflecting war-time increases in industrialization and a continued inflow of capital in the post-war period. The production of minerals, notably of phosphates, has made rapid strides, although exports of Algerian iron ore in 1946 were only half of those in 1938. Export sales in certain cases have been restricted as a result of mounting inflation.

The principal immediate problem of the region centres about the abnormally low level of agricultural production; the consequences are intensified by a rapid rate of population increase. The area has shifted from its pre-war position as a net exporter of cereals to a net importer. It is currently unable to export significant quantities of animal products continually. War-time neglect and blight have seriously affected viticulture. Production of oils and fats is below pre-war levels, while demands of the local population have increased. The shift in the agricultural position, reinforced by equipment and supply needs, has resulted in appreciable deficits in the balance of payments; and the area has required, and continues to need, substantial external assistance. The recovery of the region, particularly of its agriculture, is essential to the restoration of regional equilibrium and constitutes a critical phase of general European recovery.

The low level of agricultural production reflects, in addition to war-time conditions, a succession of adverse seasons. Algeria's cereal crop in 1945 was sufficient for the satisfaction of only about one-third of the local requirements. A serious famine was averted by external aid. The 1946 crop was more than double that of 1945, but it fell short of pre-war levels; needs were larger,

owing to a population increase at the rate of 100,000 to 150,000 persons a year. Although exact figures for the 1947 harvest are not available, reliable estimates indicate that because of drought, the yield of principal cereals is below that of 1946 and is likely to be about two-thirds of the 1938 harvest. The number of livestock was also seriously reduced during the winter of 1945/46 in consequence of the drought. The vineyards which before the war yielded 15 to 20 million hecto-litres of wine, accounting for nearly half the value of exports in 1938, brought only 9.5 million hecto-litres in 1946. Slow and costly reconstruction of viticulture is being undertaken. Other crops and fruits show diverse trends, some favourable, but they are insufficient to offset the adverse factors in the major food and commercial sectors.

Pre-war cereal production in Morocco varied around nearly 20 million quintals (1 metric quintal equals 220.46 pounds). Estimates of the 1947 crop, originally placed at 23 million quintals, have been scaled down, as the result of the May sirocco and a locust invasion, to about 18 million quintals, leaving no surplus for export. Average consumption needs, calculated on the basis of a ten-year period, would be 22 million quintals. Moroccan exports of live animals and dressed lamb were negligible in 1946.

The Tunisian grain harvest of 1946, although greatly exceeding that of 1945, was insufficient to meet local needs, and imports are required to make up the deficiency. Production totalled 4.5 thousand metric quintals as compared with the pre-war average of 5.7 thousand.

The changed commercial position of the region is suggested by figures showing merchandise balances in relation to the value of exports, although the balances are not directly comparable in size, owing to sharp declines in the value of money.

Table 48

MERCHANDISE BALANCE COMPARED TO THE VALUE OF EXPORTS OF ALGERIA, MOROCCO AND TUNISIA, 1938 AND 1945-47

	Merchandise balance (+ or -) (Millions of francs)	Merchandise balance as percentage of exports (Per cent)
Algeria:		
1938	+ 643.6	11 (+)
1945	-7,999.2	221 (-)
1946	- 417.0	2 (-)
1947 (5 months)	-2,265.8	16 (-)
Morocco:		
1938	- 672.5	44 (-)
1945	-2,880.4	74 (-)
1946	-7,134.0	69 (-)
1947 (6 months)	-6,644.0	83 (-)
Tunisia:		
1938	- 206.5	15 (-)
1946	-5,200.0	144 (-)
1947 (4 months)	-3,730.0	176 (-)

The figures cited above, while they portray disturbed conditions, do not constitute a record of progress or deterioration. For example, the volume of Moroccan exports in 1946 was appreciably above the 1938 level. Wheat and

secondary cereals accounted for thirty-seven per cent of the total value of foreign imports into Morocco in 1946, when the net deficit in the balance of payments on current account resulting from commercial and financial transactions with countries outside the French franc bloc amounted to 5,671 million francs. As the result of improvement in agricultural production, imports of cereals have fallen off in 1947. They amounted to 41,000 tons valued at 129 million francs during the first six months of 1947, compared with 275,000 tons costing 1,200 million francs in the same period of 1946. While the size of the adverse merchandise balance has grown during 1947, imports have changed in composition and consist more largely in investment goods and supplies adapted to the administration's programme of reconstruction and development.

With respect to the remaining French territories in or adjacent to Africa, all of which were cut off during part of the war from commercial contacts with France, recovery trends are indicated to some extent by changes in the quantity of exports and imports in the respective territories. The figures cited are for tonnage only, inasmuch as a continuous series of weighted index numbers of quantity does not exist. However, the crude figures are significant in spite of some changes in the structure of exports and imports.

Table 49

QUANTITY OF EXPORTS AND IMPORTS OF FRENCH TROPICAL BLOC, FRENCH SOMALILAND AND MADAGASCAR-RÉUNION, 1938 AND 1945-47

	1938		1945		1946	
	Exports	Imports	Exports	Imports	Exports	Imports
French tropical bloc:	<i>(Thousands of metric tons)</i>					
French West Africa....	987.8	557.6	347.5	345.3	465.2	396.4
Togoland	53.5	20.8	27.1	9.9	15.3	18.6
Cameroons	164.2	58.8	93.0	36.0	126.4	49.0
French Equatorial Africa	333.9	76.3	120.8	86.1	163.0	83.1
TOTAL	1,539.4	713.5	588.4	477.3	769.9	547.1
French Somaliland	140.3	68.1	24.1	12.2	34.8	37.7
Madagascar-Réunion	348.4	229.8	211.4	138.1	249.4	187.9

Six months' periods 1946 and 1947

	1946		1947	
	Exports	Imports	Exports	Imports
French tropical bloc:	<i>(Thousands of metric tons)</i>			
French West Africa.....	294.4	187.1	304.8	246.0
Togoland	6.5	7.8	12.2	13.8
Cameroons	60.5	21.3	64.2	28.9
French Equatorial Africa.....	69.2	37.9	87.0	55.2
French Somaliland	12.6	15.8	29.6	21.1
Madagascar-Réunion	116.1	71.8	95.5	84.1

Source: Bulletin mensuel de statistiques d'outre-mer, July and August 1947, and earlier issues.

In Madagascar-Réunion commercial tonnage increased steadily between 1944 and 1946, but exports during the first six months of 1947 fell off as compared with the same period of 1946. In 1944 exports and imports had been, respectively, 159,400 tons and 89,700 tons, and the total commercial movement amounted to only forty-three per cent of the 1938 level. In 1945 the total commercial movement reached three-fifths of the 1938 tonnage, and it increased in 1946 to three-quarters of the 1938 level. In Madagascar, where disturbed political conditions have affected the rate of recovery, preference has been given to the export of high-valued products such as vanilla. The commercial balance of Madagascar-Réunion was favourable both in 1938 and 1946, being 159.5 million colonial African francs, or 15.5 per cent of the value of exports in the former year, and 1,219.1 million colonial African francs, or 29.7 per cent of the value of exports, in the latter year. However, in 1946 Madagascar had a smaller surplus relative to exports; whereas Réunion had a larger surplus.

In the western French African territories, the volume of exports in 1946 was only half that of 1938. Imports, although abnormally low by pre-war standards, amounted to three-fourths of the 1938 level, reflecting intensification in the effort to meet the accumulated needs of the territories. Although shipping is now used more efficiently than before the war, shortage of bottoms and transport bottle-necks have made it difficult to export bulky products.

Although there are distinguishable differences in the war-time and post-war evolution of the economies of the western French African territories, the general situation prevailing in the area may be illustrated by reference to French West Africa, the largest and most acutely affected of the territories. The war interrupted the economic expansion, particularly in primary products, of French West Africa. The territory before the war was second to India as a producer of ground-nuts, was the world's fifth largest producer of palm-oil, and was an important producer of palm kernels, karite nuts and karite butter. In 1942, after a lapse of two years, the territory resumed its participation in the Allied war effort; but while the Allies emphasized oleaginous products and rubber, production of other items stagnated. Isolation from France led, as in other parts of Africa, to industrialization on a very limited scale, including expansion of plant for the manufacture of soap, tanning, processing of fish, production of chocolate, and the like. Local conversion of raw products into ground-nut oil and oil cakes is undertaken more extensively now than before the war, and exports of ground-nut oil and oil cakes were higher in 1946 than in 1938. However, these increases are insufficient to compensate for major declines in exports of ground-nuts, palm kernels, palm-oil, karite nuts and karite butter. To cite one case among the oleaginous products, exports of ground-nuts of 170.1 thousand tons in 1946 were at only one-third the pre-war level (538.2 thousand tons in 1938). The situation in respect of coffee, live animals and precious woods was more satisfactory in 1946, but cacao production was slightly more than half the 1938 total. Cotton production was about one-third that of 1938. Exports of fresh bananas in 1946 were only one-ninth those of 1938; a minor quantity of dried bananas was, however, exported. The territory's adverse balance of merchandise trade, which in 1946 amounted to 1,870 million metropolitan francs, is aggravated by the shortage of "hard" currencies. The slow recovery of French West Africa is largely accounted for by shortage of consumer goods required to encourage

the African producer; increase in the acreage devoted to local food production at the expense of export crops, in order to offset the loss of rice previously imported from Indo-China; two consecutive years of drought in Dahomey; and other factors. Planned expansion of oleaginous products in this area takes into account soil exhaustion in parts of Senegal and the need for mechanization.

In French Equatorial Africa, exports of timber products in 1946 amounted to only 108.8 thousand tons as compared with 275.8 thousand in 1938. Cameroons under French administration, and French West Africa, less important timber producing areas, registered striking recoveries.

Table 50

EXPORTS OF TIMBER FROM CAMEROONS UNDER FRENCH ADMINISTRATION, FRENCH EQUATORIAL AFRICA AND FRENCH WEST AFRICA, 1938 AND 1945-47				
	1938	1945	1946	1947 (6 months)
	<i>(Thousands of metric tons)</i>			
Cameroons under French administration	40.8	15.0	42.6	19.7
French Equatorial Africa.....	275.8	57.7	108.8	76.9
French West Africa (precious woods) ..	40.5	10.0	41.1	27.1

Source: *Bulletin mensuel de statistiques d'outre-mer*, July and August 1947.

Vegetable oils and fats, considered as a group, are in a depressed condition in the area. The general situation in respect of minerals, while varying among the respective territories, is much more satisfactory. In 1946 the territories, as a group, had a deficit in their combined merchandise balance amounting to 3,716 million metropolitan francs, or thirty-seven per cent of the value of exports, as compared with a deficit of 52 million metropolitan francs, or one per cent of the value of exports, in 1938. French Equatorial Africa alone had a small positive balance on merchandise account in 1946. However, the accumulated import needs of the area are high, and imports have increased in 1947.

TRENDS IN MORE FAVOURED AREAS

The more favoured African countries, some of which experienced an expansion in productive activity during the war, are different from one another in many respects. They comprise the Union of South Africa, the Rhodesias, British East and West Africa, the Belgian Congo, Liberia, and the Anglo-Egyptian Sudan. Although these areas suffered varying degrees of commercial dislocation and shortages of imports, they were closely tied in with the war effort and, particularly after the loss of Far Eastern sources of supply of many vital raw materials, were subject to heavy demands upon their agricultural and mineral resources for military and civilian supplies. Experiences varied among members of the group in respect of the nature and scale of their war-time efforts, the development of new production capacity and the drain on parts of their capital, transport and resource structure. In all cases, the difficulty of maintaining essential imports of food and other supplies led to increased local production of foodstuffs and to some industrial development, which was especially pronounced in the Union of South Africa and the Belgian Congo.

During the war the Union of South Africa practically extinguished its external debt, while many South African citizens acquired, by purchase, shares

in South African gold mining and other concerns formerly held by foreign investors. Liberia, whose revenue profited from the expansion of rubber, liquidated most of its national indebtedness. British East and West Africa emerged from the war with sterling balances amounting on 31 December 1946 to £215 million, largely in consequence of military expenditure and a relative increase in exports over imports. Nigeria, the Gold Coast and Kenya reduced their indebtedness, and most British colonies accumulated increased surplus balances; the surplus in the case of Northern Rhodesia, owing to the expansion of the copper industry, is relatively large. In the British West African territories (the Gambia, Gold Coast, Nigeria, Sierra Leone) and in the British East African territories (Kenya, Uganda, Tanganyika, Zanzibar, Nyasaland, Northern Rhodesia, but not including British Somaliland), public revenue doubled between 1938 and 1946; the totals for the West African territories being 22,747 thousand pounds sterling in 1946, as against £10,644 thousand in 1938, and for the East African group, £22,207 thousand against £10,674 thousand. Expenditures also rose, but in most cases, in spite of inflation, increases in actual revenues brought a real improvement in the financial position of the territories. The Anglo-Egyptian Sudan also effected a partial reconversion of its debt. The 1947 budget of the Sudan Government was balanced at £9,208,880, the highest in the territory's history, as compared with £5,053,765 in 1939, though this result is partly explained by higher price levels; and local government budgets totalled £963,352 in 1947 as against £213,950 in 1939.

The Belgian Congo, whose principal exports went to the United Kingdom and the United States after 1941, acquired large holdings of foreign exchange owing to an export surplus of unprecedented size. These balances have been reduced since the war, partly in order to finance imports, partly because of remittances of accumulated dividends to Belgium, and for other reasons.

In general, the problem of re-adjustment to post-war conditions in these areas, arising in part out of the decline in military demands for certain products, has been accomplished so far without great difficulty owing to continued world shortages in major primary products and, as in the case of the Union of South Africa, to a continued expansion in local industrial production. While the market position of war-expanded African rubber and pyrethrum has fallen, the demand for most principal products is high and is intensified in some cases by the European need to conserve "hard" currencies. Also, there exists a considerable delayed demand which resulted in increased imports in 1946 to 1947 of both consumer and capital goods.

The following table gives the value of exports and imports of the Union of South Africa and the British colonies in 1939 and since the war.

Table 51

FOREIGN TRADE OF UNION OF SOUTH AFRICA, SOUTHERN RHODESIA, BRITISH EAST AFRICA, AND BRITISH WEST AFRICA, 1939, 1945 AND 1946

	Union of South Africa ^a		Southern Rhodesia ^a	
	Exports (Millions of £ SA)	Imports	Exports (Millions of £ sterling)	Imports
1939	34.1	91.3	11.9 ^b	9.7 ^b
1945	77.5	112.4	18.0	12.5
1946	95.7	214.5	21.3	20.4

^a Figures exclude gold.

^b 1938.

Table 51 (continued)

	British East Africa ^c		British West Africa	
	Exports	Imports	Exports	Imports
	(Millions of £ sterling)		(Millions of £ sterling)	
1939	27.8	19.0	33.2	21.3
1945	42.8	31.6	35.5	31.6
1946	47.0	42.3	49.3	48.6

^c Not including British Somaliland.

Exports from the British East African territories, which produced essential or needed agricultural products, rose steadily during the war. The expansion in the value of exports has continued into the post-war period, though in some cases this is the result of increases in prices rather than in quantity. There was a considerable shift in the composition of exports between 1939 and 1946. Thus, in Tanganyika Territory, sisal rose to forty-four per cent of the total value of exports in 1946, as against twenty-nine per cent in 1939, though the quantity exported was only twelve per cent larger; and diamonds from a recently discovered field replaced gold as the second export by value. In Southern Rhodesia tobacco has replaced gold as the leading export. The British West African territories—where production of essential minerals, such as Sierra Leone iron and Nigerian tin, oleaginous products and rubber was emphasized—experienced neither marked expansion nor contraction in value of exports during the war, but values rose sharply after 1944. In view of increases in prices, the quantum of exports from these territories, like that of imports, probably declined during the war. The increase in the value of exports and imports in 1946, as compared with 1939, is largely owing to price rises rather than a general expansion in volume. To cite one case, the production of cocoa in the Gold Coast, which normally provides about one-third of the world's supply, has declined somewhat owing to the spread of the swollen shoot disease and to reduced planting of trees during the war. The world price of cocoa increased substantially, particularly after the removal of price controls in the United States in October 1946. In the various British territories the war-time trend towards participation by the metropolitan and colonial governments in bulk purchases and sales of colonial products is continuing.

The Union of South Africa is in a sense a special case because of its greater pre-war industrial development. Indeed, whereas most other African territories increased their income through an increase in the demand for primary agricultural and mining products, the Union of South Africa was able to supply increased military and civilian demands for industrial products. Thus, while gold production declined somewhat during the war, secondary industries, particularly food processing, boot and shoe manufacturing, engineering trades and garment making, experienced a marked expansion. The Government-sponsored iron and steel industry increased its output considerably. Employment in manufacturing rose by forty-six per cent between 1938 and 1946. Both the production and export of coal have increased. Production of coal, which was 18 million tons a year before the war, is now about 25 million tons and, according to a recent statement of the Minister of Economic Development, may reach 31 million tons by 1949.

General war-time expansion of industry, though considerable, was limited both by shortages of materials and of skilled labour. Even so, compared with many other countries, the Union of South Africa was able to maintain a fairly satisfactory volume of essential consumer goods throughout the war. Since at the time the amount of war expenditures financed from loan account was relatively small, the increases in the general price level were moderate despite an almost complete absence of rationing.¹

Since the war, the re-adjustment of the economy from war-time to peacetime needs has been relatively easy. The main difficulties have arisen from shortages of commodities in world demand, especially wheat, maize, fats and oils, and equipment of all kinds. A high level of demand has been maintained, despite the decline of war expenditure, as a result of increased private investment and a considerable delayed demand for consumer goods. Expansion of private investment in secondary industries has been considerable and investment in the gold mining industry, despite the difficulties created by rising costs of production, has been influenced by new mining developments in the Orange Free State. The sharp rise in imports between 1945 and 1946, from £SA112.4 million to £SA214.5, has been partly influenced by new investment. According to the Minister of Posts and Telegraphs, during the past year immigrants and industrialists brought into the Union capital on the order of £SA100 million.

The experience of Southern Rhodesia, though on a smaller scale, was in significant respects parallel to that of the Union of South Africa.

By comparison with the Union of South Africa, the Belgian Congo (with Ruanda-Urundi) is the outstanding example of economic expansion and structural change based on the contribution of mineral, non-ferrous metal and agricultural products to the war effort. Isolated from Belgium and Europe, to which, before the war, the country exported nine-tenths of the quantity of its exports and from which it received half its imports, and its equilibrium further affected by the devaluation of the Congo franc in 1940, its resources were placed at the disposal of the Allies and strict economic controls were imposed in the interest of orderly development and stability. The Belgian Congo found new markets in the United Kingdom and the United States and forged new commercial ties with other African countries, particularly the Union of South Africa. Plant capacity to treat and refine metals was added. Considerable expansion occurred in copper and tin, and also in cobalt, tungsten, zinc, and uranium. The production of gold was sacrificed in favour of copper and industrial diamonds, but gold stocks were built up during the war. Exports rose, subject to an interim decline, from 545.0 thousand tons valued at 1,897.2 thousand francs in 1938, to 620.2 thousand tons worth 4,609.7 thousand francs in 1943. Between the same years, and again after a decline, imports increased from 312.4 thousand tons valued at 1,022.6 thousand francs to 471.7 thousand tons worth 2,289.5 thousand francs. Exports declined to 530.4 thousand tons in 1944.

During the war the Belgian Congo also experienced some industrialization of local and regional importance and this trend has carried over into the post-war period. The commercial orientation forged during the war has also continued to some extent.

¹ The only product officially rationed to consumers in the Union of South Africa during the war was motor fuel.

The adjustment to post-war conditions has, as generally in Africa, been favoured by high levels of effective demand for primary products. After the decline of 1944, exports have increased. In 1946 the tonnage of exports was about thirty per cent above the 1938 level.

Table 52

EXPORTS FROM THE BELGIAN CONGO AND RUANDA-URUNDI, 1945 AND 1946

	1945		1946 (provisional) ^a	
	Quantity (Metric tons)	Value (1,000 frs.)	Quantity (Metric tons)	Value (1,000 frs.)
Oils	147,421	529,634	167,001	578,589
Cotton and its derivatives	43,984	463,799	55,587	578,536
Mineral products ...	237,266	2,769,529	263,492	3,098,093
Animal products ...	734	63,913	1,325	88,008
Various	169,576	1,164,580	215,958	968,178
TOTAL	598,981	4,991,455	703,363	5,311,404

Source: United Nations document A/322, 30 July 1947. Information transmitted by the Belgian Government under article 73(e) of the Charter.

^a Exports in 1946 are given as 708,858 metric tons, valued at 6,024.6 million francs in *Bulletin de la Banque belge d'Afrique*, September 1947.

SHORTAGES AND INFLATION

In all African countries, the war brought shortages both of consumer goods and of capital equipment, increases in money incomes, and inflation. Inflationary trends have persisted in the post-war period owing to continued high demands for primary products and a general shortage of imported consumer goods in the face of accumulated demands. In some cases new private investment has contributed to inflationary pressures. In a number of instances, too, public expenditures for reconstruction have assisted in maintaining or even increasing the total volume of investment, though shortages of capital goods required to meet arrears of maintenance, to repair war damage, and to rehabilitate export industries and transport systems, have in many respects severely limited the process of recovery. Inflationary pressures have also been intensified in some cases by failure of important food crops. The imports of food which have taken place in consequence of crop failures have been at much higher prices.

Although a marked recovery of imports has occurred since 1945, and maritime transportation services have improved, scarcities of many imported goods continue to exist in Africa. Such shortages restrict economic activity, including the production of needed exports and the fulfilment of development plans.

Shortage of textiles is one of the most serious problems in Africa, since textiles are not only important consumption goods but are urgently needed to stimulate productive effort. This shortage, based primarily on low supplies from Europe, is intensified by the slowness with which Japan, an important pre-war supplier, is re-entering the African market. India, which became a major source of supply to eastern and southern Africa following the decline of Japan, cannot export enough to satisfy the needs of these areas. Recourse has been had, generally, to supplies from the United States of America. The

various Governments have made serious efforts to procure textiles for the dependent territories. The United Kingdom has purchased, with dollars, Japanese grey goods for importation in the British territories and the Anglo-Egyptian Sudan. The French Government has recently allocated to its western African territories supplementary credits of dollars for the purchase of cloth, which, in the case of Cameroons under French administration, are to be specially reserved for the producers who will furnish palm-oil for export. However, imports remain considerably below needs. The British West African territories, in the first quarter of 1947, received about forty-four per cent of their pre-war imports in a comparable period. Tanganyika Territory in 1946 imported 28.6 million square yards of cotton piece-goods, compared with an average of 50 million yards before the war. Rations in French North Africa averaged 4.5 metres *per capita* between 1943 and 1946, or about one-quarter of pre-war consumption.

Among the capital goods in short supply are iron and steel products such as agricultural machinery and tractors, sheet and structural steel, locomotives, railway cars, port equipment, and the like.

Shortages of basic cereals in French North Africa, and drought in Tripolitania and Cyrenaica, have been the subject of earlier comment. Other areas, less seriously dislocated as the result of the war, have also experienced shortfalls in major foods. Southern Rhodesia has been experiencing the worst drought in its history, and has had recourse in 1946 and 1947 to imports of maize, the most important Native food, principally from Argentina and also from the United States of America. During 1946 Tanganyika Territory, Kenya and Uganda imported 67,000 bags of corn from Argentina to relieve serious shortages attributable to a sharp decline in the production of cereals. Conditions in these areas have improved subsequently, but Zanzibar is currently experiencing a shortage.

In the Union of South Africa, the 1945/46 wheat crop was adversely affected by drought. The 1946/47 crop, though larger, was below expectations, and about two million bags of wheat had to be imported to meet current needs. Production of maize, which is the main food crop and the staple food of a large part of the African population, has also suffered during and since the war from adverse weather conditions. Before the war the Union of South Africa normally exported a considerable quantity of maize, but in recent years supplies have been imported, owing in part to an increased home demand attributable to larger aggregate incomes and increased urbanization of the native population. In 1946/47 the maize crop, like the wheat crop, was below expectations, and it was necessary to adopt certain restrictions on consumption. Nearly four million bags of maize were imported from Argentina, together with a much smaller quantity from adjoining territories. The 1947/48 maize crop is expected to be larger than that of the previous year, and to result in removal of certain restrictions and in reduction in the prices paid to the producers.

The extent of inflation has, however, been different in various parts of Africa. As would be expected, the devastated and the seriously dislocated territories have tended to experience inflation of a graver character than the more favourably situated countries. Extreme inflation is in evidence throughout North Africa. Inflation in the western French African dependencies is serious, though less marked than in French North Africa, and inflation there is more

grave than in the neighbouring British and Belgian territories. In the Anglo-Egyptian Sudan, where a strict policy of price control and rationing was followed during and since the war, the cost of living rose by about seventy-five per cent between 1939 and 1946, and increases in prices were less than in Palestine and Egypt. In the Union of South Africa and in Southern Rhodesia, inflation has been relatively modest, not only in comparison with other parts of Africa, but also in comparison with most Allied countries. The wholesale price index for the Union of South Africa rose from 101 in 1939 (1937 = 100) to 158 in 1945, while the retail index (including food and rent) rose from 104 to 137 in the same period. Wholesale prices, reflecting continuing inflationary pressures, subsequently increased to 173 in September 1947, and retail prices increased to 146 at the same date. This moderate degree of inflation in South Africa is explained by the fact that the supply situation was fairly well maintained by importation and by the expansion of local industry, while at the same time war expenditures not financed out of current revenue were relatively small. In Southern Rhodesia the cost of living index in September 1947 stood at 156, compared with 102 in 1939.

In December 1945 the French Government devalued the metropolitan franc, which continued to apply in French North Africa, and established in the other African territories an African colonial franc having a parity value equal to 1.70 metropolitan francs. This separation of the monetary unit in the two groups of territories was made in recognition of the different price trends in the two areas. Note circulation in certain of the French territories increased between 1938 and 1947 as follows:

	1938 December	1947 (Millions of metropolitan francs)	Ratio 1947 to 1938
Morocco	638	15,190 (March)	23.8
Western French African territories	1,163	10,260 (June)	8.8
Madagascar	398	2,764 (June)	6.9

Source: Bulletin mensuel de statistiques d'outre-mer.

INFLUENCE OF INCONVERTIBLE CURRENCIES AND EUROPEAN RECONSTRUCTION PROBLEMS

In addition to shortages and inflation, the world problem of the "hard" currencies deeply affects Africa, although a few countries are not seriously disturbed as the result of inconvertible currencies.

Of all the sterling countries, the Union of South Africa is the most favourably situated with respect to "hard" currencies. It has been possible for importers of merchandise for bona fide purposes to obtain hard currency to such an extent that they have not been seriously restricted in their transactions. This is connected with the provisions of the gold sale agreement with the United Kingdom, lapsing at the end of 1947, under which the Union of South Africa has sold about £80 million sterling a year of its output to the United Kingdom, leaving about £20 million out of current production for its own use. Part of South Africa's deficit to the United States has been met from this sum, direct sales of gold having been made to the United States, and the remaining part by drawing on the sterling area pool. Under the new agreement announced in October 1947, which remains to be ratified by the Union Parlia-

ment, the Union of South Africa will make a loan of 9,275,000 fine ounces of gold (taken from existing reserves), worth £80 million, to the United Kingdom. The loan will be repaid in gold after a minimum period of three years, or earlier in the form of sterling if the Union's gold reserves fall below £100 million. The Union of South Africa will continue to sell part of its annual gold output in order to meet its requirements of United States dollars or other currencies. The Union of South Africa also undertakes to provide gold to meet any drafts on sterling area reserves of dollars on South African account during the period of the loan and further, to meet, in gold, any net deficit incurred in transactions with all other members of the sterling area. The gold loan to the United Kingdom is a timely reinforcement of the reserves of the sterling area. The Union's exports of semi-luxury products to the United Kingdom are to be increased, but these are to be paid for in sterling.

Liberia is also in a favourable position in respect of foreign exchange, owing to a considerable war-time improvement in its commercial balance, a steady demand in the United States of America for Liberian rubber (exports of which have been maintained in contrast to the decline in most African areas), and recent monetary reforms which base the currency on the dollar rather than the pound sterling. On the other hand, Ethiopia's estimated dollar deficit for 1947 has been mentioned.

In the Non-Self-Governing Territories, which are integrated in their respective metropolitan currency zones, both production and commerce are affected by the balance of payment difficulties of the metropolitan countries. The particular problems of certain of the devastated and highly dislocated territories intensify metropolitan difficulties. In certain other cases, colonial trade balances are distinctly favourable to the metropolitan countries, principally in that the latter enjoy import surpluses in their trade with these territories at the present time and sales of some colonial exports earn appreciable sums of dollars for the respective foreign exchange pools. The close connexion between the European and African economies was recognized by the European Committee of Economic Co-operation which, in assessing European needs, took into account the participation and circumstances of the Non-Self-Governing Territories. For example, according to an official source,¹ the provisional estimates established for the participation of Morocco call for \$46,500,000, of which \$31,500,000 would be invested in equipment directly conditioning Moroccan exports to Europe. However, altogether apart from possible assistance from the United States of America, a number of production schemes are in process, or are envisaged, in Africa as a means of alleviating European shortages of essential commodities.

Restraints upon the expenditure of "hard" currencies are in force in most of Africa. As the crisis in the United Kingdom has deepened, the British territorial governments have intensified their austerity programmes and have adopted measures to curtail imports of dollar goods. The Secretary of State for the Colonies has recently stated that curtailment in imports (both dollar and sterling) in response to British needs is a temporary expedient, and expansion of production is the major long-term contribution that the colonial peoples can make.

Exchange restrictions are also applied in the French and Belgian territories. The Belgian dependencies have a reserve of foreign exchange based on past

¹ *Bulletin d'information du Maroc*, 15 September 1947.

earnings. As has been noted, problems in the French territories, to which foreign exchange is allocated by the central Government, are more complex. According to an official publication,¹ the foreign import requirements of French North Africa in 1947 are estimated at 180 million dollars worth of foreign exchange, not all of which would be in dollars; of this amount, the equivalent of \$64 million is required for cereals and other foods. The sum required by French North Africa is more than half of the estimated equivalent of \$336 million of foreign exchange required by overseas France, exclusive of Indo-China.

Controls of exchange and imports in the Anglo-Egyptian Sudan, which left the sterling bloc in July 1947, following the Anglo-Egyptian sterling agreement, are modelled on those in force in Egypt. While special permits are required for imports from sterling areas, the British Government has undertaken to cover any deficit in the event of a shortage of sterling exchange, according to a statement made by an official of the Sudan Government. In view of the country's small dollar earning capacity, rigid control is being exercised over imports from dollar areas.

Inconvertible currencies and shortages have stimulated, directly or indirectly, a number of production schemes in colonial Africa. A few examples may be cited:

(a) The Government of the United Kingdom is currently developing the production of ground-nuts in Tanganyika Territory as the first stage in a vast programme, parts of which will also be situated in Kenya and Northern Rhodesia. This scheme envisages an investment of £25,500,000 sterling over a period of five years. This project is to be administered by the Overseas Food Corporation, under the British Ministry of Food, having borrowing powers on the order of £50 million for projects outside the United Kingdom;

(b) The Government of the United Kingdom intends to establish a Colonial Development Corporation with authority to borrow on the order of £110 million. The enterprises which will be fostered are expected to be principally, though not exclusively, agricultural;

(c) The copper refining capacity of the sterling area will be expanded in Northern Rhodesia by private interests;

(d) The Mpanda lead deposits in Tanganyika Territory will be exploited after a 127-mile railway line has been constructed;

(e) French planners have established a comprehensive series of production targets in agriculture, minerals, forestry, and animal husbandry in French North Africa and the overseas territories. Among them are large programmes for the development of fats and oils and timber production, centring in the western African territories.

CHANGES IN THE PATTERN OF COMMERCE

The pre-war commerce of Africa was closely interlocked with that of Europe. Africa normally received more than two-thirds of its imports from Europe, and Europe received four-fifths of Africa's merchandise exports. African commercial agriculture and mining were complementary to European manufacturing industries, and vice versa. Political and financial ties in respect of the major part of the continent reinforced the pattern of interdependency.

¹ "Le Commerce extérieur des Territoires français d'Outre-Mer", *Etudes et conjoncture, Union française*, August 1947.

During the war, metropolitan commerce with the French, Belgian and former Italian territories was severed completely, and as the continent moved more and more into the orbit of the Allied Powers, the external aspects of its economy were organized primarily with reference to urgent war requirements. Since the liberation of Europe there has been a trend toward the resumption of pre-war commerce between France and Belgium and their respective territories. Tripolitania, Cyrenaica, Eritrea, and Italian Somaliland are now in the sterling area, and the commercial connexions of these territories with Italy are not as close as in the pre-war period.

Exports from the Belgian Congo to Belgium have been resumed vigorously since 1945, but imports from Belgium have recovered more slowly. During the first seven months of 1947 the tonnage of exports was nearly fifty per cent above the 1936 to 1938 average; whereas the tonnage of imports reached only two-thirds of the pre-war average.

Table 53
TRADE BETWEEN THE BELGIAN CONGO AND BELGIUM
Monthly Averages, Pre-War and 1945-47

	Exports to Belgium	Imports from Belgium
	<i>(Metric tons)</i>	
1936-38 (average)	27,531	8,366
1945	16,827	634
1946	30,213	4,056
1947 (7 months)	41,045	5,634

The following table showing the direction of trade in French Africa is also instructive. In 1946, France was relatively less important as a supplier of its territories than in 1938, and within the French zone the interchange among the French dependencies was relatively larger.

Table 54
DIRECTION OF COMMERCE OF FRENCH NORTH AFRICA, FRENCH TROPICAL
AFRICA AND MADAGASCAR, 1938 AND 1946

	French North Africa		French tropical bloc		Madagascar	
	1938	1946	1938	1946	1938	1946
	<i>(Per cent of total value)</i>					
Imports from:						
France	63	50	52	35	69	27
French dependencies	7	14	8	5	15	14
Great Britain	n.r.	n.r.	7	11	2	20
British dependencies	n.r.	n.r.	4	12	4	12
United States	n.r.	n.r.	8	29	5	21
Exports to:						
France	73	74	79	66	83	61
French dependencies	7	10	3	20	3	19
Great Britain	n.r.	n.r.	3	4	5	2
British dependencies	n.r.	n.r.	2	4	2	2
United States	n.r.	n.r.	3	3	5	14

Source: Etudes et conjoncture, Union française, August 1947, page 85.
n.r. Not reported.

The general flow of commodities between Europe and Africa has not yet attained pre-war levels. The current commerce of Africa is different in other significant respects from the pre-war pattern:

(a) The position of the United States of America as a source of supply is higher than before the war. The recovery of European production and exchange restrictions arising from the shortage of dollars may affect this position. Japan as a source of supply is less important;

(b) Two new cross-currents of trade within Africa are to be observed: (1) the growth of complementary exchange between South Africa on the one hand and central, western and eastern Africa on the other; (2) the growth of commerce between French North Africa and the western French African dependencies;

(c) The composition of African articles entering into commerce reflects the limited industrialization that has taken place;

(d) Export markets have been reoriented to some extent. Among other changes, the United States of America is a more important purchaser of mineral and agricultural products, and Germany has practically disappeared from the market.

The enhanced role of the United States of America as a supplier and customer of Africa is shown in the following figures:

Table 55

UNITED STATES EXPORTS TO AND IMPORTS FROM AFRICA, 1938 AND 1945-47

	Exports (Millions of U.S. dollars)	General imports
1938	118.4 ^a	54.7 ^b
1945	354.8	284.6
1946	451.7	281.7
1947 (3 months)	169.9	66.5

^a Exports for 1938 only are inclusive of Egypt and the Anglo-Egyptian Sudan, and include re-exports.

^b Imports for 1938 only are inclusive of Egypt and the Anglo-Egyptian Sudan.

PLANS FOR ECONOMIC DEVELOPMENT

All of Africa, the second largest continent, with a population of about 173 millions, is in need of a heightened rate of advance. One of the most significant recent trends affecting a large part of the continent is the formulation and initiation of official long-term programmes designed to accelerate economic and social development. Comprehensive plans, financed in part by metropolitan subvention, have been promulgated for most of the British Non-Self-Governing Territories and for French North Africa and the French oversea territories. While integrated plans for the Belgian Congo and Ruanda-Urundi have not been announced to date, a welfare fund amounting to 2,350 million francs was established in these territories in 1947. In 1945, the Anglo-Egyptian Sudan announced a five-year development and reconstruction plan having a capital budget of nearly £E11,500,000.

Liberia, with the assistance of United States technical missions in economic, educational and health fields, and with large new port works constructed at Monrovia under the Lend-Lease programme, is also on the verge of im-

portant economic development and capital inflow. The Legislature has recently incorporated a new holding company, having economic purposes, and an educational foundation. A noteworthy feature of the holding company is that, although the entire initial capital is to be provided by American private investors, twenty-five per cent of the shares (and profits) go to the Liberian Government and ten per cent of the shares constitute the endowment of the educational foundation. With American technical assistance, agriculture (including cocoa), mineral and industrial resources, and internal communications will be developed in the near future.

New departures in British and French policy were made with the passage, in the United Kingdom, of the Colonial Development and Welfare Act of 1940 and 1945, and in France of the Act of 30 April 1946. Both laws provide financial assistance for development purposes. The United Kingdom has allocated to its African dependencies £54,650,000 over a ten-year period, commencing in 1946. In addition, the territories share in certain funds allocated for schemes centrally administered by the Colonial Office. The territorial ten-year plans, the major part of which will be financed in most cases from colonial resources, aim among other things at the extension of public utilities, which would condition new private investment, and of welfare services. The projected Colonial Development Corporation and Overseas Food Corporation have been mentioned previously.

The French Act of 30 April 1946 required the establishment, within six months, of ten-year plans for economic and social development in French West Africa, Togoland under French administration, Cameroons under French administration, French Somaliland, Madagascar, and Réunion. The Act also established an Investment Fund for the Economic and Social Development of Overseas Territories, which is provided in part by a metropolitan subvention. The programme for 1947 for all the French Overseas Territories (Indo-China not included) amounts to 12,710 million metropolitan francs, of which 9,950 million would be invested in the African territories. One thousand million metropolitan francs is included for scientific research.

In French North Africa, which is not within the scope of the Act of 30 April 1946, the various administrations are also engaged in the execution of large-scale programmes of economic and social development. The public sector of these programmes is supported by extraordinary budgets, the real value of which has grown considerably in comparison with pre-war amounts. All of the programmes in French North Africa aim at recovery from the lack of adequate investment and maintenance during the war and, in addition, the Tunisian plan takes into account the serious war devastation in the Regency. Rapid increase in the population of the area requires modernization of agriculture and active industrial development, supported by the construction of multi-purpose barrages. The requirements of French North Africa for reconstruction and economic and social development over the five-year period commencing in 1946 were provisionally estimated in the *Plan de modernisation et d'équipement* at 244,000 million metropolitan francs (value as of the second quarter of 1946).

Plans for economic development in the Union of South Africa, some of which are already being effected, cover a wide range of both government and private activities. The war-time trends towards greater industrialization are being maintained and even accelerated. The expansion of steel production by

the erection of new plant at Vanderbijl Park near Vereeniging is intended to increase steel output, eventually, to one million tons per annum from the present capacity of about 450,000 tons, and to increase the variety of rolled steel products being produced in the Union. The development of the new gold mining area in the Orange Free State has already begun with the sinking of a number of shafts. A large irrigation scheme for the Orange Free State is also planned by the government at a total cost of £SA10,000,000 over a period of five years. The Union Government has also approved schemes costing £SA10,000,000 to combat soil erosion in the Native reserves.

A considerable part of the money capital required for these various development projects will be obtained in the Union of South Africa itself. Nevertheless, much of the capital required for these schemes must be obtained from foreign investors, and since the war there has been, in fact, a heavy investment of British and other capital in South African industry.

Similar developments are taking place in Southern Rhodesia and other parts of Africa.

Chapter 6

EUROPE

GENERAL REVIEW

By the end of 1947, two and one-half years after the end of the war, normal economic conditions were far from re-established in European countries. It had become apparent that post-war economic reconstruction would require a longer period of time and be more difficult to achieve than the early progress of European recovery had led many to expect. Production and trade, which had recovered at a remarkable rate during 1946 from the low levels prevailing at the end of the war, continued their upward movement during the first half of 1947 but at a considerably slower tempo, even declining in several countries in the autumn of 1947. Agricultural production had received severe setbacks as a result of unfavourable weather conditions, in addition to the difficulties inherited from the war. A state of equilibrium had not yet been achieved in the economies of European countries, which continued to be subject to inflationary pressures arising from continuing shortages in the face of huge reconstruction requirements. The standard of living of the population of Europe was still far below pre-war levels.

It is apparent now that the extent of the impoverishment of Europe as a result of the war had not been fully realized and that the substantial amount of external aid made available thus far has not been sufficient to restore the European economy to a level which would enable the countries of Europe to be self-supporting.

The impact of the war in terms of physical destruction of industry, transport, agriculture, and other national resources has been fully recognized because the results of such destruction were visible and measurable. The invisible devastation¹ wrought by the war, however, was less obvious and its consequences more difficult to assess. It manifested itself in deterioration, rather than destruction, of capital and man-power, and in economic dislocations. In the industrial and transport sectors, deterioration of plant and equipment was the result both of obsolescence and of over-exploitation during several years of war without adequate maintenance and replacement. There was a parallel deterioration of agricultural capital, including deterioration of soil fertility. The productive capacity of the population was reduced owing to war exhaustion, undernourishment and loss of technical skills.

The destruction and deterioration of the productive capital of Europe were accompanied by serious economic dislocations, such as monetary disorders, disruption of normal economic relationships between the farming and urban populations, distortions in production patterns and trading relationships. The impact of the war on various sectors of the economic life of Europe—on agricultural and industrial production and distribution, external trade, and internal financial stability—is described in subsequent sections. The net result has been

¹ The term "devastation" as subsequently used in this report refers both to visible and invisible devastation.

a reduction in the immediate productive potential of Europe to a level far below that which outright physical destruction would appear to indicate. In restoring their productive capacities, European countries have had to cope, simultaneously, with physical handicaps to expanding production and with a variety of economic dislocations of a highly interrelated character.

The impoverishment of Europe as a result of the war and the consequent reduction in the standard of living of its population are reflected in declines in the national incomes of European countries between 1938 and 1946 (despite the remarkable degree of recovery in the latter year). According to best available estimates, the real national income of Poland and Austria in 1946 was only fifty per cent of the pre-war level¹; the national income of Finland, Greece, Hungary, Italy, and Yugoslavia was only somewhat above this level—about sixty per cent; Czechoslovakia about seventy-five per cent; France, Netherlands and Bulgaria between eighty and ninety per cent; national incomes of Scandinavian countries (other than Finland), and Switzerland were approximately at the pre-war level or above, and Belgium and the United Kingdom somewhat below. The reduction in personal consumption by the European population was considerably more severe than the decline in total national income would indicate. The share of personal consumption in the national income since the war has been reduced because of higher private and public investment and government expenditures in general, including military expenditures in some countries. Further, the pattern of consumption has been adversely affected by shortages of basic necessities.

Total available resources were significantly increased by relief assistance, loans and credits, which made possible the creation of an important part of national income dependent upon imported raw materials and other imported supplies. The volume of such assistance granted to European countries through the fall of 1947 has amounted to about \$15,000 million. Some idea of the extent to which the tempo of the recovery of Europe has been dependent upon external assistance may be gauged by relating the amount of such aid to the national income of European countries. While it is not possible to establish a direct relationship in this matter for a number of reasons, it is possible to compare the general magnitudes of imports and national income and the extent to which such imports have been made available as a result of the extension of relief assistance, loans and credits.

During 1946, the ratio of imports to the national income in most countries of Europe, as shown in table 56, ranged from fifteen to as high as forty per cent, reflecting the fact that the reduction of indigenous production has increased the role of imports in the creation of national income. As is pointed out in subsequent sections of this report, a significant sector of the economy of Europe is working with imported raw material, and a large part of the population of Europe is being fed by imported foodstuffs.

It is not possible to ascertain from available data the proportion of such imports that is financed from relief assistance, loans and credits. Some idea of the magnitudes involved may be gained by a comparison of total imports in the year and a half from January 1946 until the middle of 1947, with the total aid extended since the end of the war. Although it is not possible to state the portion of such aid applicable to imports during the above period, it is

¹ In Poland it was seventy-three per cent *per capita*, taking into account reduction in population.

known that most of such assistance had been expended by the middle of 1947. In the case of countries which received assistance from the United Nations Relief and Rehabilitation Administration (UNRRA), the overwhelming part of shipments from this source were made during 1946 and the first half of 1947.¹

Table 56

POST-WAR IMPORTS, RELIEF ASSISTANCE, LOANS AND CREDITS OF VARIOUS EUROPEAN COUNTRIES^a

Countries grouped according to ratio of imports to national income in 1946	Imports during 1946 and first half of 1947 ^b	External assistance extended from the end of the war through September 1947			
		Total (Millions of U.S. dollars)	UNRRA ^b	U. S. loans and credits ^c	Other loans and credits ^d
<i>I. Under 20 per cent</i>					
Austria	200	281	163	72	46 ^e
Czechoslovakia	775	485	317	72	96
France	3,360	3,122	—	1,920	1,202
Italy	1,755	966	505	325	136
Sweden	1,500	—	—	—	—
United Kingdom	8,385	7,326	—	4,400	2,926 ^f
<i>II. 20-29 per cent</i>					
Belgium	2,030 ^g	363	—	205	158
Denmark	885	262	—	20	242
Netherlands	1,535	915	—	413	502
Poland	820	781	577	90	114
Switzerland	1,320	—	—	—	—
<i>III. 30-40 per cent</i>					
Finland	300	183	3	105	75
Hungary .....	..	42	5	30	7
Norway	825	183	—	70	113
Yugoslavia	565 ^h	507	505	—	2
<i>IV. 70-80 per cent</i>					
Greece	544	801	420	341	40

Source: Imports from Statistical Office of the United Nations, *Monthly Bulletin of Statistics* and various national publications. UNRRA aid from *UNRRA's Program of UNRRA Relief and Rehabilitation Supplies, Summary Report*, June 1947; Loans and credits from Committee of European Economic Co-operation, *Volume II, Technical Reports*, page 12, and United Nations document E/576, 22 September 1947.

— Nil.

.. Not available.

^a Includes loans, credits and relief assistance extended by European countries. In the case of the United Kingdom, the amounts granted to European countries exceed \$1,300 million, of which \$618 million is for operating contribution to UNRRA.

^b Includes estimated UNRRA imports (c.i.f.) under total programme, which was virtually completed by 30 June 1947, and the largest part of which was imported during 1946.

^c Includes post-UNRRA relief shipped through September 1947; data from statement of United States representative to second committee of General Assembly, 27 October 1947.

^d Includes credits arising from payment agreements.

^e Includes the United Kingdom grant, estimated at \$24 million.

^f Includes sterling balances accumulated since June 1945.

^g Includes Luxembourg.

^h Imports other than UNRRA estimated.

¹ Significant UNRRA shipments during 1945, included in the above figures, were made, however, to a few countries: Greece, particularly, and Yugoslavia, in a lesser amount.

On the other hand, post-UNRRA relief for Austria, Greece and Italy, which is included under United States loans and credits in table 56, was not available before the middle of 1947; this is true also of loans from the International Bank for Reconstruction and Development and from the International Monetary Fund, included under "other loans and credits", for Denmark, France and Netherlands. Notwithstanding the limitations of the data, the significant degree of dependence of European countries on external aid is obvious.

The resources made available through external assistance have been used at a more rapid rate than was originally anticipated and have been used for emergency purposes to an extent not originally foreseen. The extent to which post-war loans and credits were nearing exhaustion in the fall of 1947 in various European countries is described in another section of this report. Among the factors responsible for the rapid rate of expenditure have been the sharp increases in prices of imports, particularly from the United States, and larger than anticipated requirements for food imports, as a result of unfavourable weather conditions and poor crops. In the case of countries which received assistance from UNRRA, large emergency needs for food, medical supplies and clothing, combined with supply shortages, reduced the volume of imports for the rehabilitation of agriculture and industry. The original hope that UNRRA assistance would be adequate both for relief and for rehabilitation was not realized. Loans and credits have also proved inadequate for completing the economic reconstruction of Europe.

As a consequence, Europe enters 1948 with serious obstacles to further recovery of industry, agriculture and trade. As recovery has progressed, the character of many of these obstacles has changed. However, the principal bottle-necks which hinder the further expansion of industrial production continue to be the shortages in such basic commodities as coal, steel and timber. In general, these shortages affect industrial production and a number of key industries, particularly engineering industries, which provide needed capital equipment and parts. Difficulties in industrial and agricultural production and in transport are interrelated; shortages of food hamper industrial production, and agricultural recovery is retarded in turn. The recovery of export trade is affected by the rates of industrial and agricultural production, which in turn are dependent on imports and external credits to finance them. The insufficiency of production as a whole, in relation to investment and to government expenditures which are not balanced by taxation, exercises a constant pressure on prices and, in the absence of effective rationing systems, induces inflation. Inflationary price movements threaten to destroy the progress already achieved. While the key to European recovery lies in the expansion of production and trade, the interaction of various economic dislocations continuously creates new crises to be combated. And finally, the lack of adequate dollar credits and world shortages of key commodities restrict the ability of European countries to obtain urgently needed imports for restoring domestic production.

At the same time, the reconstruction of war-devastated European countries profoundly affects the structure of the economies of individual countries and of Europe as a whole. Reconstruction is being pursued under national economic plans which call, first, for restoring and, subsequently, for exceeding pre-war national income, production and consumption levels. Radical changes in the

balance between agricultural and industrial production are involved, particularly in the relatively less industrialized eastern European countries. In the industrial sector, emphasis is being placed upon the earliest restoration and subsequent expansion of basic industries, such as coal, steel and transport. For this purpose, large investment programmes are planned for increasing plant capacity in basic industries, such investment to be financed from anticipated increases in national income. Man-power required for expanding industry is to be augmented from the agricultural population; in those countries which do not have surplus agricultural labour, by rationalization and mechanization of agricultural production. Targets for agricultural production are generally at pre-war, or somewhat above pre-war, levels but are to be achieved with lesser man-power through increased productivity; provision is being made for increasing production of agricultural machinery and equipment for this purpose. In a number of countries, particularly in eastern Europe, nationalization of industries has resulted in the establishment of national and private economic sectors, the latter consisting primarily of small industries and trade.

The economic structure of Europe as a whole would be modified to the extent that the realization of the national plans of predominantly agricultural countries results in a substantial degree of industrialization in these countries. Such plans must be viewed in the light of the drastic change in the economic relationships between Germany and other countries, particularly Danubian and Balkan countries since the war. So long as the precise form which the internal economic reconstruction of Germany will take under the Potsdam agreement is undetermined, the future role of Germany in the economic structure of Europe cannot be clear. It will be affected both by changes in the internal economic structure of Germany and by changes occurring in those countries with which its pre-war relationships were closest.

As 1947 came to a close, the question of external aid from the United States emerged as a major economic issue. While the magnitude and forms of possible aid from the United States are not yet known, a stop-gap programme of aid to Austria, France and Italy was undertaken by the United States Government in December 1947.

The detailed report which follows deals with post-war developments and prospects for 1948 in the following sections: industry and transport; food and agriculture; post-war inflation and internal financial stability; and international trade and the balance of payments. These sections describe the character of war devastation and dislocation, the recovery achieved since the end of the war, and the prospects with respect to further recovery in 1948, with special emphasis on the obstacles to be overcome.

INDUSTRY AND TRANSPORT

Post-war consequences of the devastation and deterioration of European industry and transport have proved far more grave than was originally anticipated. Destruction and deterioration were most serious and widespread with respect to the European inland transport system, which was especially affected by war operations, strategic bombing and over-exploitation. In several countries a large proportion—usually well over fifty per cent in eastern European countries—of railway bridges, junctions, marshalling yards, signalling systems, sta-

tions, permanent ways and other installations were destroyed or required major capital repairs. Rolling-stock deteriorated, was depleted and scattered throughout Europe. Rail transport was virtually in a state of chaos. For some time after the end of hostilities, there was practically no international overland traffic in Europe apart from military convoys. A similar situation prevailed for inland water transport. A high proportion of European ports, having been bombed and otherwise destroyed, were not open to shipping at all or were open only to a very limited extent. At the end of the war, the tonnage of Europe's merchant vessels amounted to about sixty-one per cent of pre-war tonnage as a result of war-time shipping losses. Road transport decreased, and in certain countries almost ceased, because truck fleets were reduced by destruction, or confiscation by the German armies, or lacked petrol.

The working capital of European industry at the end of the war was seriously depleted and, in occupied countries, was almost non-existent, except for such scattered stocks of raw materials, and manufactured and semi-manufactured goods as were haphazardly left behind by the retreating German armies.

The man-power of European industry was equally affected by the war. Millions of workers were displaced, and the remaining labour force, exhausted and under-nourished after almost six years of war, had become accustomed to the "slow-down" processes of war-time sabotage. In eastern Europe, mass extermination practices of Nazi Germany affected particularly the supply of skilled and professional workers. The younger generation came into the labour market untrained. Mass destruction of dwellings and the need for housing for returned displaced workers aggravated the general shortage of housing in practically all European industrial areas. In these circumstances, the productivity of labour decreased considerably, to forty or fifty per cent of pre-war levels. In many countries, there was, in addition, a general exodus of workers from heavy labour, especially from mining, timber-felling and certain types of agricultural work.

The collapse of European trade further aggravated the situation of industry. During the war, that part of European industry which worked for Germany received supplies within the centralized system of the German war economy. The collapse of Germany stopped the flow of these supplies, as well as the supply of equipment and parts and certain semi-manufactured goods, which Germany provided to many European countries before the war.

RECOVERY SINCE THE END OF THE WAR

In general, European countries have made remarkable progress to date in restoring to working order their industrial and transport facilities and in increasing industrial production and the movement of goods.

Transport

Faced at the end of hostilities with widespread destruction and chaos, with transportation of all types virtually at a standstill, the devastated countries of Europe generally assigned the highest priority to the restoration of transport. The European railway system was restored to a minimal working condition within a relatively short period of time and European ports were gradually repaired sufficiently to accept relief and rehabilitation and other urgently

needed supplies. Most of the repairs and reconstruction were, however, of a provisional character; for example, temporary wooden bridges were built, where steel or concrete construction previously existed; main railway lines in some cases were restored by "cannibalization" of double tracks. During the early period, transport was heavily dependent on trucks, imported mainly from military surplus stocks and UNRRA. By early 1946, inland transportation and port capacity ceased to be the important factor impeding the resumption of industrial activity at the level then possible. Inland waterway transportation remained an exception, and today still lags behind other forms of transportation; apart from the lower priority initially given to rehabilitation of inland waterways, political factors have complicated recovery of international inland waterways.

Table 57
RAILWAY FREIGHT TRAFFIC IN EUROPE
Indexes of quarterly averages of ton-kilometres^a
(1938 = 100)^b

	1945	1946				1947		
	4th qtr.	1st qtr.	2nd qtr.	3rd qtr.	4th qtr.	1st qtr.	2nd qtr.	3rd qtr.
Austria .....	..	42	74	92	87	77	116	126
Belgium	74	83	88	90	103	107	109	114
Bulgaria	126	104	118	132	138	111	142	168
Czechoslovakia .....	..	65 ^c	81 ^c	..	..	91	110	..
Denmark ^d	154	132	140	145	144	107	136	150
Finland	97	87	105	121	110	98	114	130
France	98	108	121	127	139	139	136	140
Hungary	28	39	44	52	74	69	88	96
Ireland	200	139	155	155	170	127	130	143
Netherlands	69	80	79	85	101	99	103	108
Norway	82	87		74		97		..
Poland .....	..	87	116	129	114	87	121	136
Portugal	140	146	144	144	150	139	140	..
Sweden	185	200	189	194	197	206	194	187
Switzerland ^d	117	108	117	125	134	110	129	135
United Kingdom	133	129	131	127	129	112	133	122

Source: Statistical Office of the United Nations, *Monthly Bulletin of Statistics*.

.. Not available.

^a For Denmark, waggon-axle-kilometres; for Bulgaria, Finland, Netherlands, Portugal, and Switzerland, tons transported.

^b For Czechoslovakia, 1937 = 100; for Bulgaria, 1939 = 100.

^c Estimated.

^d State railways.

The extent of recovery in the movement of freight traffic by rail is shown in table 57. In most countries railway freight traffic (in terms of ton-kilometres, freight-car-axle-kilometres, or tons transported) by the middle of 1947 was at a level considerably above the pre-war period. The increased volume of freight movements by rail was necessitated by the decline of facilities for inland waterway transport and, in some countries, for road transport, and by the abnormal

demands for movement of goods in an economy of scarcities and bottle-necks. This recovery, however, has been based on provisional reconstruction of a temporary character and has imposed a workload on transport facilities, both installations and rolling-stock, far in excess of normal capacity-utilization. As a result, rail facilities, already deteriorated by the war, are being severely taxed and a critical situation is in prospect unless this is rectified.¹

The considerable recovery in the tonnage of Europe's merchant vessels, reflected in table 58, is a result of the acquisition by some European countries of ships from the United States, especially "Victory" and "Liberty" ships. To a lesser degree it is a result of new ship construction and repair in European ship-yards, which have accumulated orders for some years ahead in the light of present capacity and current and prospective steel supplies.

Table 58
EUROPE'S TONNAGE OF MERCHANT VESSELS^a

Flag under which operated	1939 (1 Sept.) (Thousands of gross tons)	1945 (30 June)	1946 (31 Dec.) (Percentage of 1939)	1947 (30 June)
United Kingdom ^b	17,377	74	80	86
Norway	4,499	56	68	76
Germany	3,916	64	12	10
Italy	3,178	16	22	44
France	2,678	24	59	73
Netherlands	2,670	55	71	83
Greece	1,698	31	39	73
Sweden	1,312	101	113	120
USSR	1,136	85	115	115
Denmark	1,042	37	68	82
Spain	750	113	118	120
Finland	530	48	44	51
Yugoslavia	376	29	35	37
Belgium	357	38	67	90
Portugal	197	120	141	156
Poland	114	96	89	98
Others	704	48	45	49
TOTAL	42,534	61	66	75

Source: United States Maritime Commission, Research Division, Washington; Central Statistical Office, London, *Monthly Digest of Statistics*.

^a For all countries, except the United Kingdom, gross tonnage of sea-going iron and steel, steam and motor, merchant-type vessels of 1,000 gross tons and over, according to publications of the United States Maritime Commission, Research Division. Excludes vessels on inland waterways and special types, such as channel vessels, icebreakers, cable ships, etc.; also excludes American-owned tonnage which, during the war period, was loaned to European countries and not returned.

^b Merchant vessels registered under the British flag on United Kingdom or colonial registers (but not Dominion registers) of 500 gross tons and over; excludes foreign-owned vessels on bareboat charter or requisition and miscellaneous craft.

¹ The later section of this chapter, on "Key Shortages that Retard Industrial Recovery" contains data on reduced volume of rolling-stock.

Industry

Industrial recovery in various countries of Europe since the war, as reflected in general index numbers of industrial production, is shown in table 59. Caution is necessary in drawing conclusions from such general indexes, because of differences in the methods employed in their construction and because the industry components on which they are based may not be fully representative of the total industrial production of the country. In some cases, rough estimates of the post-war volume of production, as compared with the pre-war volume, are presented in the absence of such indexes. Notwithstanding these limitations, general production indexes furnish a general description of trends in European industrial recovery.

At the end of hostilities, industry in many European countries was virtually at a standstill and the early resumption of industrial production was often characterized by levels of activity of from twenty to forty per cent of peace-time production. During the summer of 1945, industrial production was below one-half of the pre-war levels in all European countries, except in the United Kingdom, Scandinavian countries, Switzerland, and Bulgaria. In several of these countries, notably Belgium, the Netherlands, Greece and Yugoslavia, production was about one-third of pre-war levels and in Italy, Austria and in Germany, less than one-fourth. Industrial production of Denmark and Norway stood at two-thirds, and that of the United Kingdom and Sweden close to pre-war levels.

Table 59
INDEXES OF INDUSTRIAL PRODUCTION IN EUROPE
Quarterly averages, 1945-47
(1937 = 100)^a

	1945		1946				1947		
	3rd qtr.	4th qtr.	1st qtr.	2nd qtr.	3rd qtr.	4th qtr.	1st qtr.	2nd qtr.	3rd qtr.
Austria ^b .....	..	..	..	..	..	..	40-50	..	..
Belgium ^c	35	50	63	69	75	81	82	87	82
Bulgaria	151	149	110	117	151	153	121	148	163
Czechoslovakia:									
General index ^d	50	55	..	70	..	80	..	..	..
Employment ^e .....	..	..	..	..	..	81	84	86	86
Denmark	70	81	94	89	99	104	103	100	103
Finland	48	58	66	66	72	76	84	84	80
France .....	..	..	67	83	77	90	93	100	89

Source: Statistical Office of the United Nations, *Monthly Bulletin of Statistics*, unless otherwise indicated.

.. Not available.

^a Except for the following countries: Italy and Yugoslavia, 1939; Germany, 1936 except for French zone, 1938; France, Greece and Poland, 1938; USSR, 1940.

^b Rough estimate of UNRRA Mission to Austria, in *Economic Report on Austria 1945-47* (Vienna, March 1947). Further recovery was reported in the second quarter and July 1947, in *Austria*, monthly published by Allied Commission for Austria, British Element, September 1947.

^c *Institut de Recherches économiques et sociales*, Louvain.

^d Josef Goldman, *Czechoslovakia: A Survey of Post-War Industrial Development and the Two-Year Plan* published by Orbis (Prague, May 1947).

^e *Statistický Zpravodaj, Statni Urad Statistický*, Prague, corrected for decrease in the productivity of labour, according to Goldman's method.

Table 59 (continued)

	1945		1946				1947		
	3rd qtr.	4th qtr.	1st qtr.	2nd qtr.	3rd qtr.	4th qtr.	1st qtr.	2nd qtr.	3rd qtr.
Germany: ^f									
American zone .....	..	..	26	33	42	45	34	48	50
British zone .....	..	..	28	30	34	33	28	34	37
French zone .....	..	22	..	32	..	42	..	..	..
USSR zone .....	..	..	..	..	..	45	..	..	..
Greece ^g	35	39	47	58	65	71	70	76	68
Hungary: ^h									
Mining and metallurgy .....	..	..	..	..	..	..	..	112	112
Manufacturing industry .....	..	..	..	..	..	..	..	79	79
Ireland	93	96	101	110	104	112	102	109	..
Italy ⁱ .....	..	..	28	48	56	54	47	64	72
Netherlands	36	57	62	69	77	89	85	90	91
Norway	62	81	93	103	95	110	113	118	106
Poland:									
General index ^j .....	..	57	72	77	79	90	95	100	..
Basic commodities ^k	47	61	79	85	97	104	105	113	124
Sweden	99	104	106	107	105	108	107	108	108
United Kingdom ^l .....	..	..	..	..	..	100	..	110- 120	..
USSR ^m .....	..	..	..	..	..	..	..	..	100
Yugoslavian ⁿ .....	..	30-35	..	..	..	60-75	144	..	..

^f For United States zone: *Statistical Annex, Report of the Military Governor*; for British zone: *Monthly Statistical Bulletin*; for French zone: *Statistical Bulletin No. 3*, of the Military Government; for USSR zone: *Economic Data on Potsdam Germany, Special Report of the Military Governor (U.S.)*, September 1947, Office of the Military Government for Germany. Index for French zone includes agricultural production; data for fourth quarter of 1945 and 1946 are for November only.

^g Confederation of Greek Industries, reported by the Greek Organization for Reconstruction. Second quarter 1947, data are for April; third quarter 1947, data are for September.

^h Hungarian Central Bureau, *Economic Statistical Bulletin*, Budapest.

ⁱ Office of Research and Studies of the General Confederation of Italian Industry, *Notiziario della Confederazione Generale dell'Industria Italiana*, Rome, provisional data.

^j *Statistical Tables of the Polish Institute for Economic Research*, Warsaw. Pre-war data for territory within pre-war boundaries.

^k Central Statistical Office, *Statistical News of the Central Statistical Office of the Republic of Poland*, Warsaw. Pre-war data for territory within pre-war boundaries.

^l Rough estimate for fourth quarter of 1946 based on statement in *General Report of Committee of European Economic Co-operation* that the pre-war level of national output had been fully restored. Estimate for second quarter of 1947 from *Labour and Industry in Britain*, Vol. V, No. 8, September-October 1947, British Information Services, which quotes estimate of *The Economist*.

^m Gross output of all industry in the fourth quarter of 1947, as percentage of the average quarterly level of 1940. Statement by the State Planning Commission, Tass, 18 January 1948.

ⁿ Estimate at the end of 1945 in UNRRA, *Economic Recovery in the Countries Assisted by UNRRA*, September 1946, Washington, D. C. Estimate at the end of 1946 from *Preliminary Report of the Sub-Commission on Reconstruction of Devastated Areas*, (document A/147, 26 October 1946). Estimate of level reached during first half of 1947 from Report of the Federal Planning Commission on Outcome of the State Production Plan for the first half of 1947, published in *Borba*, 13 August 1947.

Production rose rapidly from these low levels during the latter part of 1945 and early 1946. By the spring of 1946, the general level of production was two-thirds, or more, of pre-war levels in most countries of Europe, although it still lagged in Italy, Greece, Finland and, for special reasons, in Germany. Pre-war levels were approximated or exceeded by Scandinavian countries (excluding Finland), the United Kingdom and Switzerland.

Further recovery from this point, particularly in countries which had reached relatively high levels of production, was at a slower rate, although none the less substantial (see table 60). Supplies of fuel and raw materials, already short of existing requirements, became even more inadequate as additional plant capacity was restored. Plants and equipment requiring major repairs and replacements could enter into production only as rapidly as needed equipment and parts became available. Nevertheless, by the middle of 1947, production had increased to the point where it was about ninety per cent or more of pre-war levels in France, Belgium, the Netherlands, Scandinavian countries (excluding Finland), the United Kingdom, Poland, Czechoslovakia, Bulgaria, and Yugoslavia. Italy made rapid progress from a level of twenty-eight per cent in the first quarter of 1946 to sixty-four per cent by the second quarter of 1947; and Finland reached eighty-four per cent by that date. The level of production in Austria and western Germany continued to lag and by the middle of 1947 was not much above one-half in the former and less than one-half of pre-war in the latter; production in western Germany by that time had not reached the ceiling of the agreement on levels of industry.¹

Table 60

RATE OF INDUSTRIAL RECOVERY IN CERTAIN EUROPEAN COUNTRIES
Percentages of monthly increases (+) or decreases (—) of the general index
numbers of industrial production^a

	1945 2nd half	1946 1st half	1946 2nd half	1947 1st half	1947 3rd qtr.
Belgium	+10.8	+ 5.3	+2.4	+2.0	-1.2
Bulgaria	+ 2.0	- 0.2	+1.7	+4.5	-0.9
Denmark	+ 3.9	+ 2.9	+1.4	-0.8	+1.3
Finland	+ 3.0	+ 2.5	+3.3	+0.9	+6.7
France .....	..	+ 6.5	+0.6	+1.5	-6.4
Italy .....	..	+16.2	-1.5	+7.5	+1.4
Netherlands	+16.7	+ 0.9	+0.1	-0.7	-3.5
Norway	+ 3.1	+ 5.1	+2.1	+4.2	-0.6
Poland ^b	+ 9.2	+ 6.4	+3.5	+2.3	+2.9
Sweden	+ 5.7	+ 0.6	+0.2	—	-0.9

Source: See sources given for table 59.

.. No increase or decrease.

.. Not available.

^a Monthly averages for semi-annual periods and for the third quarter of 1947.

^b Basic commodity index.

¹ Cf. Plan of Allied Control Council for Reparations and the Level of Post-War German Economy.

During the third quarter of 1947, production in most countries did not rise above the second quarter, or registered very small gains; in a number of countries—France, Belgium, Norway, Finland, and Greece—it even declined. Substantial increases were realized in Italy, where the volume of production reached seventy-two per cent of pre-war volume, and in certain Eastern European countries, particularly Poland, where the volume of production approached or exceeded pre-war levels. The industrial output of the USSR in the fourth quarter of 1947 reached the pre-war level (the average quarterly level of 1940).

General indexes of production, representing as they do weighted averages of production in various industries, do not indicate varying rates of recovery for different industries. Detailed data on individual industries for selected countries, shown in table 61, indicate the unevenness of recovery in various branches of industry.

The achievement by a large proportion of European countries of industrial production levels that approximated pre-war production has not brought with it a general recovery of pre-war consumption levels; the reasons for this may become apparent in a review of other aspects of European recovery, especially agricultural production, foreign trade and the balance of international payments. A partial answer lies in problems directly connected with industry.

Table 61
INDEXES OF POST-WAR PRODUCTION IN SELECTED EUROPEAN
COUNTRIES BY INDUSTRY^a

BELGIUM (1936-38 = 100)			
	March 1947		March 1947
Electricity distribution	136	Coal and related products . .	86
Textile	126	Ferrous metals	84
Gas distribution	120	Glass	79
Paper	109	Cement and lime	62
Matches	101	Non-ferrous metals	62
Tobacco	92	Food	57
<i>General index</i>	90		

Source: Institute of Economic and Social Research, Louvain. Index for distribution of electricity and gas calculated directly from absolute figures.

CZECHOSLOVAKIA (1937 = 100)			
	Oct.-Nov. 1946		Oct.-Nov. 1946
Electricity, gas and water . . .	155	Iron and steel engineering . .	72
Chemicals	122	Building materials and pottery	64
Glass	100	Leather	63
Mining	90	Woodworking	60
<i>General index</i>	80	Textile and clothing	58
Paper and printing	75		

Source: Josef Goldman, *Czechoslovakia: Test Case of Nationalization*, Orbis (Prague, May 1947); exclusive of building construction and food processing industries. Data refer to Bohemia, Moravia and Silesia (excluding Slovakia).

^a Comparability of industries for various countries is limited; so far as possible, terminology used is exact translation of national classification.

Table 61 (continued)

FRANCE
(1938 = 100)

	Sept. 1947		Sept. 1947
Gas	138	Metal working	100
Building and public works..	130	<i>General index</i>	97
Electricity	126	Textiles	93
Glass	123	Solid fuels	92
Minerals extracting	117	Liquid fuels	84
Tobacco and matches.....	116	Paper and cardboard.....	83
Rubber	113	Printing	75
Chemical	111	Leather	73
Metallurgical	104	Metal ores	58
Ceramic	104	Fat and oils.....	54
Building materials	104		

Source: Institut National de la Statistique et des Etudes économiques, *Bulletin de la Statistique Générale de la France*.

ITALY
(1939 = 100)

	Sept. 1947		Sept. 1947
Electrical	104	Chemical	64
Metal working	79	Building materials	60
Textile .....	..	Mineral	54
<i>General index</i>	73		

Source: *Notiziario della Confederazione Generale dell' Industria Italiana*, Rome, provisional data.

.. Not available.

NORWAY
(1938 = 100)

	April 1947		April 1947
Steel and metal working....	167	Wood-pulp and paper.....	75
<i>General index</i>	115	Ore and metal production...	72
Chemical and electro- chemical	110	Canning	55
Textile	108	Other food	112
Shoe	105	Other	95

Source: Monthly Bulletin of the Central Bureau of Statistics of the Kingdom of Norway, Oslo.

POLAND
(1938 = 100)

	June 1947		June 1947
Engineering	210	Textile	95
Electric power	156	Electrical	89
Chemical	139	Foodstuffs	74
Mining	126	Tobacco	43
<i>General index</i>	103	Oil	29
Iron and steel.....	98	Leather	21
Paper	97		

Source: Polish Institute for Economic Research.

Table 61 (continued)

SWEDEN
(1935 = 100)

	August 1947		August 1947
Engineering	170	Foodstuffs	118
Iron and steel.....	132	Textiles and clothing.....	106
General index	129	Wood-pulp and paper.....	105

Source: *Kommersiella Meddelanden*, published by Kommerskollegium, Stockholm.

The restoration of the pre-war volume of industrial production, because of abnormal post-war requirements, particularly for producer goods, is proving insufficient to provide pre-war consumption levels. Producer goods industries in most European countries have to meet an accumulated demand of many years for deferred maintenance and replacement, as well as other abnormal demands for reconstructing destroyed or partially destroyed capital equipment. For this reason, the economic plans of most European countries anticipate heavy investment in producer goods industries, in large part by numerous additions of relatively small investments to existing plant and equipment. The necessity for building working stocks of raw materials has added to this burden. In many countries, the structure of industry and the availability of indigenous raw materials have also favoured more rapid recovery in heavy industry than in consumption goods industry. While the general level of production shows a remarkable degree of recovery, in many countries consumption goods industries, particularly durable goods, are lagging behind general recovery. To some extent, this has been a matter of deliberate policy, reflecting the priority of producer over consumer goods industries for purposes of shortening the reconstruction period.

It appears, therefore, that only a substantial increase of European production above pre-war levels in the next few years can bring post-war Europe to a consumption level approximating that of the pre-war period.

The recovery of industrial production has been retarded by many factors, most of which stem from the devastation and deterioration of industry and transport described earlier. At first it was transport that presented the most critical situation and hindered the basic distribution of food and other essential goods and the resumption of industrial production on a significant scale. Of almost equal importance was the shortage of fuel and power, which limited expansion of industrial activity. The subsequent increases in the supply of fuel and power have never been sufficient for rapidly recovering industrial activity. As industrial production reached higher levels, shortages of raw materials, and, for eastern Europe particularly, lack of equipment and parts, retarded the recovery of industrial production. Shortages of certain key commodities emerged as bottle-necks to the further restoration of industrial activity and created a series of vicious circles. Coal production could not be increased more rapidly because of food shortages affecting the productivity of miners and, in some cases, because of shortage of timber for pit-props. On the other hand, increases in food production were hampered by lack of nitrogen fertilizer, the production of which in turn was hindered by lack of coal. The necessity for using timber as fuel in place of coal reduced the amount of

timber available for increasing coal production. An even more striking example is the shortage of steel, which has been hampering the engineering and other industries and which is a result mainly of the inadequate supply of metallurgical coking coal.

The character of the key shortages in steel, timber, equipment and machinery, and inland transport are analysed in the following section. The coal and food shortages are discussed in another part of the report.¹ While shortages of these basic commodities exist in most countries of Europe, they vary in importance with the economy, special needs, and reconstruction plans of individual countries.

KEY SHORTAGES THAT RETARD INDUSTRIAL RECOVERY

Steel

Next to food and coal deficiencies, the shortage of steel is probably the main bottle-neck to recovery of industry in most European countries. The effects of the shortage of steel are felt in most sectors of industry, in transport, and in agriculture, particularly tractors and agricultural implements.

Before the war, Europe² accounted for forty per cent of the world output of steel. In 1937, a year in which the level of industrial activity in Europe was relatively high, European steel production amounted to almost 56 million tons of steel ingots and castings, of which about 12 million tons were exported.³ The United Kingdom was the only important exporter of steel in Europe, and at the same time imported substantial quantities of steel—more than one million tons annually—from continental Europe. Of the 12 million tons exported by European countries, 5 to 6 million tons were exported outside Europe, leaving about 50 million tons for European consumption.⁴ Belgium, France, Germany, and the United Kingdom accounted for almost all of the exports to other European countries.

Imports of steel and its products play an important role in the economies of European countries which do not have conditions favouring steel production, such as coal and high-grade iron ore. Such countries either produced no steel or produced limited amounts, but had small-scale engineering industries depending upon steel imports.

War destruction of the steel industry was not extensive, except in Poland, where rolling mills particularly were destroyed, and in Germany, where about twenty per cent of steel installations were damaged. On the other hand, the steel production capacity of some countries increased by comparison with the pre-war situation.

¹ For coal, see the chapter on "The European Coal Situation". For food, see both the section on "Food and Agriculture" in this chapter, and the special report of the Food and Agriculture Organization, "The World Food Situation", in Part III of this report.

² Excluding the USSR, which produced, in 1937, 17.7 million tons of steel, and according to plan will reach 25.4 million tons in 1951. Unless otherwise indicated, data in this section do not include the USSR because of inadequate information.

³ Data relate to five main producing and exporting countries, accounting for well over ninety per cent of trade in steel and manufactures: the United Kingdom, Belgium, Luxembourg, France and Germany. Source: *Statistical Bulletin of the British Iron and Steel Federation*, June 1947. Of the remaining exporters, Czechoslovakia is the most important one, with net exports in 1937 of 0.4 million tons.

⁴ Before the war, imports of steel and products to Europe from overseas were unimportant. Imports from the United States, the main overseas exporter, amounted to less than 0.5 million tons.

In 1946, European steel production reached about 31 million tons, or fifty-five per cent of 1937, and it is estimated that for 1947 output will amount to 34 or 35 million tons, somewhat above sixty per cent of 1937 production. European trade in steel and its products declined sharply. France became a net importer to the extent of about 0.5 million tons. German production, which reached 2.9 million tons in 1946, was, in general, not available for export. Exports of the United Kingdom and Belgium-Luxembourg reached about 3.8 million tons (about one-half from each), of which about 2 million tons were exported to countries of continental Europe. Imports from the United States reached well over one million tons.¹

Table 62

STEEL PRODUCTION (INGOTS AND CASTINGS) IN EUROPE,^a 1937, 1946 AND 1947

Country	1937	1946		1947 ^b	
	Quantity	Quantity	Percentage of 1937 (Millions of metric tons)	Quantity	Percentage of 1937
Germany ^c	19.4	2.9	15	3.6	19
United Kingdom	13.2	12.9	98	12.7	96
France	7.9	4.4	56	5.8	73
Belgium	3.9	2.3	59	2.8	72
Luxembourg	2.5	1.3	52	1.8	72
Czechoslovakia	2.3	1.7	74	2.6	113
Italy	2.1	1.4	67	1.6	76
Poland	1.4 ^d	1.2	86	1.6	114
Sweden	1.1	1.2	109	1.2	109
Hungary	0.7	0.4	57	0.6	86
Austria	0.7	0.2	29	0.4	57
Spain	0.6 ^e	0.6	100	0.5	83
Netherlands	—	0.1		0.2	
TOTAL	55.8	30.6	55	35.4	63
TOTAL (excluding Germany)	36.4	27.7	76	31.8	87

Source: League of Nations *Statistical Yearbook*; United Nations, *Monthly Bulletin of Statistics*; Economic Commission for Europe, *Report to the Industry and Materials Committee* (United Nations document E/ECE/IM/2/Rev.1); Report of the Committee of European Economic Co-operation.

— Nil.

^a Excluding the USSR.

^b When government estimates were not available, 1947 figures were calculated by adding estimates for missing months to actual production data at the rate of latest available month.

^c Post-war data for western zones.

^d Within pre-war boundaries.

^e 1935.

The European steel position in 1946 may be summarized as follows:

(1) Germany ceased to be an exporter, and its formerly high domestic consumption dropped to less than one-fifth of the pre-war level. By comparison with 1937, Europe lost about 1 million to 1.5 million tons of German steel exports annually.

¹ Data on trade in 1946 are rough estimates on the basis of data published in the *Statistical Bulletin* of the British Iron and Steel Federation, June 1947.

(2) Exclusive of Germany, European production of steel in 1946 amounted to about 28 million tons, compared with 36 million tons in 1937. The supply of steel available to European countries (excluding Germany) from domestic production minus net exports was about 27 million tons, compared with 34 to 35 million tons in 1937, or about twenty per cent less. The decline in domestic steel production varied considerably among countries (see table 62). Imports of steel into European importing countries declined from between 5 and 6 million tons in 1937 to about 3 million tons in 1946, or about fifty per cent; at the same time, almost 2 million tons of steel were shipped outside Europe by the United Kingdom and Belgium-Luxembourg.

(3) The level of steel production in Europe, exclusive of Germany, remained below existing productive capacity; in some countries, e.g., France, Poland, Italy and Austria, it was considerably below. The shortage of metallurgical coking coal has been the main bottle-neck to full utilization of capacity except in Poland; lack of needed equipment and refractory linings in several countries, and of rolling-mill equipment, in Poland particularly, has also prevented utilization of existing capacity. The shortage of metallurgical coking coal is discussed elsewhere in the report. So far as the supply of refractory linings (silica bricks) is concerned, Germany is almost the sole source of high quality quartzite and silica bricks¹ and the decline in German production has produced the shortage in this field. Shortages of rich iron ore and scrap iron have been of some importance in several countries.

The situation did not change materially in 1947, in spite of the increase in European steel production from fifty-five to sixty-three per cent of 1937. The Executive Secretary of the Economic Commission for Europe, in his report to the Industry and Materials Committee, has estimated that Europe's steel deficit in 1948, "on the basis of the various countries' plans, would amount to something of the order of 7 million tons, if the fuel shortage affected all users proportionately."

European countries (exclusive of Germany) are planning to expand steel production considerably in the next four years. By 1951, steel production, according to these plans, will reach the following levels:

Table 63
PLANNED EXPANSION OF EUROPEAN STEEL PRODUCTION, 1948-51^a

	1937	1947		1948		1951	
			(Millions of metric tons)				
	Quantity	Quantity	Percentage of 1937	Quantity	Percentage of 1937	Quantity	Percentage of 1937
United Kingdom.....	13.2	12.7	96	14.0	106	15.0	114
France	7.9	5.8	73	10.4	132	12.7	161
Belgium-Luxembourg .	6.4	4.6	72	7.3	114	7.8	122
Czechoslovakia	2.3	2.6	113	2.4	104	2.4	104
Other	6.6	6.6	100	7.3	111	8.4	127
TOTAL	36.4	32.3	89	41.4	114	46.3	127

Source: 1937 and 1947, table 62 above; 1948, report of the Committee of European Economic Co-operation and various national plans and other estimates; 1951, Economic Commission for Europe, *Report to the Industry and Materials Committee* (document E/ECE/IM/2/Rev.1).

^a Excluding USSR and Germany.

¹ Also available in Czechoslovakia on a small scale; in Poland, quartzite is available in considerable quantities, but prior to the war had not been exploited.

The above plans (except in Czechoslovakia) assume a rapid annual rate of increase in steel production. In the view of the Executive Secretary of the Economic Commission for Europe: "These figures serve to give general indication of the future trend. But it should be emphasized that the national plans have in many cases been drawn up rather as requirements, assuming the necessary materials could be obtained, than as forecast outputs. Thus the scheduled production for 1948 involves such a steep increase over actual rates of output in 1947 as to be highly improbable. While it therefore seems certain that the achievement of these targets will be delayed in some cases, the estimates may still be used as an indication of the goals towards which output is moving."

Equipment and Machinery

Before the war, Europe was a large-scale exporter of equipment and machinery, with production and exports concentrated in the United Kingdom and Germany, and to a much lesser degree in France, Belgium, Sweden and Switzerland. Certain special kinds of machinery were imported by Europe from the United States.

Since the war, European needs for equipment have been much higher, but the capacity for producing equipment and machinery has not increased substantially in several countries and has declined considerably in others. The disappearance of German supplies in this field is most seriously felt by European industry, especially by the countries of central and eastern Europe, since the expansion of productive capacity for this purpose in other European countries is a long-term problem. The shortage of spare parts for pre-war equipment of German manufacture is particularly important. Shortages of coal and steel supplies impose limitations in most European countries, however, on the utilization of existing capacity for producing equipment and machinery.

It is not possible to estimate over-all European reconstruction needs for machinery and equipment of all types. The amounts of urgently needed types of equipment of critical importance to European recovery are referred to below. The shortage of coal-mining equipment is discussed separately in the chapter on "The European Coal Situation".

Power plant equipment. Before the war, expansion of electric generating capacity kept pace with the steady increase of demand—an increase of about 7.5 per cent to 8 per cent per annum between 1925 and 1938. Since 1938, the increase in generating capacity for the whole of Europe (including the USSR) has been only five per cent, while post-war requirements have far exceeded those of the pre-war period.

The production of electricity before and after the war is shown in table 64.

Any further substantial expansion in the production of electric power will require an increase in generating capacity in most countries. European countries as a whole are planning to increase their capacities by about fifty per cent during the next four years.

The production of electric generating equipment has declined considerably because of the drop in German production, which is now barely sufficient for current German requirements; other countries manufacturing such equipment have already accumulated large orders with delivery dates for new orders varying from two to five years.

¹ Economic Commission for Europe, *Report to the Industry and Materials Committee* (document E/ECE/IM/2/Rev.1).

Table 64
PRODUCTION OF ELECTRICITY IN EUROPE
Monthly averages, 1938 and 1945-47

Country	1938	1945 (last half) (Millions of kilowatt-hours)	1946	1947 (1 Jan.-30 Sept.)	
				Quantity	Percentage of 1938
Austria	152 ^a	..	248	259	170
Belgium	440	432	520	580	132
Bulgaria	19	35	36	38 ^b	200
Czechoslovakia	342 ^a	370	464	534	156
Denmark	68	66	87	105	154
Finland	259 ^c	244	244	235	91
France	1,548	1,520	1,847	2,074	134
Ireland	29	38	46	47	162
Italy	1,095	1,056	1,279	1,508	138
Luxembourg	38	18	28	31	82
Netherlands	199	147	225	261	131
Norway	803	763	938	949	118
Poland	319 ^c	419 ^d	476	529	166
Portugal	36	46	53	58	161
Sweden	555	1,004	1,009	1,024 ^e	185
Switzerland	448	692	696	668	149
United Kingdom	2,031	3,006	3,437	3,382	167

Source: Statistical Office of the United Nations, *Monthly Bulletin of Statistics*.

.. Not available.

^a 1937. ^b January-April.

^c Within pre-war boundaries.

^d October-December.

^e January-June.

Elimination of obstacles to the production of generating equipment and importation of such equipment from outside of Europe, mainly from the United States, are both required if the production of electricity is to be increased and the pressure on coal reduced. There is an important need particularly for certain component parts of such equipment, including spare parts. Power-generating equipment may be expected to be in short supply for the coming years.¹

Transport equipment. The remarkable recovery which has been achieved in the field of transport was described earlier. In most European countries, inland transport ceased at an early stage to be an important obstacle to industrial recovery. However, the recovery of transport has been of a very unstable character, because of the poor condition of equipment, the provisional nature of repairs and because of continued over-exploitation of serviceable equipment. The seriousness of this situation is reflected to some extent in table 65. In the latter part of 1946, there were still substantial deficits in the number of locomotives and freight cars as compared with pre-war numbers, several countries having only from one-half to two-thirds of pre-war rolling-stock. In addition, however, a large proportion of the rolling-stock was not in service but was awaiting necessary repairs.

¹ Expansion of hydro-electric capacity is a long-term problem; plans for such expansion have been drawn up in several parts of Europe, some of them on a regional basis. See Economic Commission for Europe, *Report to the Industry and Materials Committee* (document E/ECE/IM/2/Rev.1).

Table 65

EUROPE'S RAILWAY ROLLING-STOCK, PRE-WAR, 1945 AND 1946

	Locomotives				Freight-cars			
	Pre-war ^a	1945 ^b (<i>Number of locomotives</i>)	1946 ^b		Pre-war ^a	1945 ^b (<i>Thousands of freight cars</i>)	1946 ^b	
			Total	% of pre-war			Total	% of pre-war
				In service				In service
Belgium	3,439	3,135	3,341	97	2,335	81	77	72
Czechoslovakia ...	4,066	..	3,730	92	..	78.7	84	66.1
Denmark	762	..	771	101	688	11.5	136	13.9
France ^c	18,129	13,146	13,780	76	11,158	349	74	294
Germany	21,900	..	..	..	..	..	..	..
French zone ....	..	2,037 ^d	2,025 ^d	..	1,006 ^d	50	..	42
British zone ....	..	7,769	7,531	..	3,484	203	..	140
American zone ..	..	..	7,436	..	2,947	158	..	106
Greece	354	..	210	59	89	6.4	50	1.4
Italy	5,684	6,503	5,571	98	2,865	114	94	84
Luxembourg	186	111	142	76	83	7.1	4.0	2.8
Netherlands .....	..	851	1,175	..	754	3.1	19.7	18.0
Norway	489	..	554	113	315	15.0	66	11.2
Poland ^e	5,166 ^f	5,425 ^g	5,950	115	3,471	111	127	95
Yugoslavia	2,279	..	1,096	48	..	29.1	56	..

Source: Emergency Economic Committee for Europe, *Statistical Bulletin*, April 1947, also European Central Inland Transport Organization, *Transport Situation in Europe*, 1946.

.. Not available.

^a For liberated countries pre-war data in most cases relate to a date immediately prior to enemy occupation; data for Germany are for 1938 within boundaries in that year. Data relate to ownership and not to the number of units actually present in country.

^b Second half. ^c French National Railways only. ^d Steam locomotives only.

^e Includes broad gauge as well as standard rolling-stock.

^f Within pre-war boundaries; track length has been increased, as a result of territorial changes, from 18,000 to 23,900 kilometres.

^g Includes 1,850 captured locomotives, ownership of which is to be established by agreement between Poland and the USSR.

The Secretariat of the Economic Commission for Europe has estimated the over-all requirements for 1948 and 1949 of basic raw materials for European inland transport, including all kinds of mobile transport and permanent way, as follows:¹

	1948	1949
	(Thousands)	
Steel (<i>metric tons</i>)	6.5	7.0
Wood (<i>cubic metres</i>)	1.8	2.2
Sleepers (<i>cubic metres</i>)	4.5	4.0

Source: Economic Commission for Europe, *Report to the Industry and Materials Committee*, document E/ECE/IM/2/Rev.1.

The shortage of freight cars may become critical in 1948. It was estimated in the fall of 1947 that there were about 2.8 million freight cars in Europe as compared with 3.0 million before the war. This number might be sufficient if normal maintenance of rolling-stock were provided. However, there are about 325,000 freight cars above the normal number awaiting repair, so that the total rolling-stock is that much further below requirements. In addition, the physical condition of part of the available rolling-stock is so poor that it will be necessary to scrap at least 80 thousand freight cars in 1948, and at least 120 thousand in 1949. Construction of new freight cars in Europe has been estimated at approximately 120 thousand in 1948 and 150 thousand in 1949. Certain of these countries have about 50 thousand freight cars on order from the United States and Canada for fairly early delivery. It is estimated that about 100,000 freight cars are needed for delivery from overseas countries before the winter of 1948/9 if a serious crisis is to be avoided.

Agricultural and forestry equipment. Changes in farming methods in Europe, shortages of labour in western Europe, and losses in draught animal power in eastern Europe have given rise to additional requirements for agricultural equipment and supplies, if pre-war production levels are to be restored. Most of the European countries are developing the production of various agricultural implements to cope with this new situation, but are facing an especially difficult problem with respect to agricultural tractors.

Preliminary estimates of requirements and domestic production of tractors in Europe, prepared by the Secretariat of the Economic Commission for Europe, are shown in table 66. European production of tractors is limited to light and medium tractors; heavy tractors of 50 horse-power and over will have to be imported from overseas, at least during the next few years. European tractor production is concentrated in the United Kingdom, France, Italy, Czechoslovakia and western Germany, and the USSR. Production of tractors is planned, or has already begun in several other countries, but will not be substantial for some years to come. It may be expected that the shortage of heavy and medium tractors in Europe will persist for at least another few years.

¹ Excluding USSR, Finland and Spain.

Table 66
TRACTOR REQUIREMENTS AND PRODUCTION IN EUROPE
Pre-war, 1947/48 and 1948/49

	Pre-war	1947/48 (Thousands)	1948/49
Requirements ^a .....	..	213.6	237.5
Production:			
United Kingdom ^b	15.0	125.0	226.0
France	1.3	20.0	30.0
Italy	2.5	4.2	6.2
Czechoslovakia	0.5	4.6	4.7
Germany (western zones)	9.4	8.6	12.6
USSR	116.0	34.0	67.0

Source: Economic Commission for Europe, *Report to the Industry and Materials Committee, document E/ECE/IM/2/Rev.1.*

.. Not available.

^a Excluding the USSR, Poland and Hungary, for which no data are available. Figures are based on national plans where available.

^b Includes market, garden and light tractors, about one-third of total, which are completely or partly excluded from data for other countries.

Tractors needed for the timber industry are not included in the above estimates. In timber-producing countries, especially in eastern Europe, there is an acute shortage of tractors for this purpose. In addition, the shortage of logging and saw-mill equipment is retarding timber production in some of the larger timber-exporting countries; modernization of forestry equipment is also required to raise present timber output substantially.

Machine tools. The scarcity of special purpose machine tools has been a serious problem in several countries. In eastern Europe, there are also shortages of many general purpose machine tools, which are especially needed for repair of war-damaged installations.

The demand for special purpose machine tools could probably be met by supplies from the United States, and to a lesser extent from the United Kingdom. General purpose machine tools may be available in Germany from the considerable stocks accumulated during the war, which may be surplus to its present and future requirements. The stocks of all metal-working tools, for example, increased in Germany from 1,420 thousand in 1939 to 2,300 thousand in 1945, and metal-cutting tools, from 1,040 thousand in 1939 to 1,737 thousand in 1945.

Timber¹

Before the war, Europe, including the USSR, was almost self-sufficient in lumber. The major producers were USSR, Finland and Sweden, and certain countries of central and eastern Europe. In 1937, imports of 22.6 million cubic metres of softwood sawn lumber by industrialized European countries, chiefly, the United Kingdom and western Europe, were offset by exports of 21.0 million cubic metres by other European countries: 8.8 million from northern Europe, 6.4 million from eastern and south-eastern Europe, and 5.8 million from the USSR. Net imports into Europe were only 1.6 million cubic metres.

During the war, the forest resources and the timber industry of occupied

¹ This discussion is limited to the urgent problem of softwoods.

countries, especially in eastern Europe, suffered heavy war losses as a result of excessive cutting and destruction of timber equipment. Cutting during the occupation in Poland, for example, was equal to as much as seventeen years of normal cutting. The effects of overcutting will be felt for many years. The loss of equipment is an immediate and important factor in the present scarcity of lumber in Europe. The post-war, compared with the pre-war, situation is presented in table 67.

Table 67

OUTPUT, TRADE BALANCE AND CONSUMPTION OF SOFTWOOD SAWN LUMBER
IN EUROPE, 1937 AND 1946^a

Area	1937			1946					
	(Millions of cubic metres)			(Millions of cubic metres)					
	Output	Net Import(+) Export(-)	Available for consumption	Output		Net Import(+) Export(-)		Available for consumption	
				Quantity	% of 1937	Quantity	% of 1937	Quantity	% of 1937
TOTAL Europe (incl. USSR)	72.8	+ 1.6	74.4	68.7	94	+3.3	206	72.0	97
TOTAL Europe (excl. USSR)	39.0	+ 7.4	46.4	33.7	86	+2.6	35	36.3	78
British Isles (incl. Ireland)	0.4	+11.5	11.9	0.5	125	+3.8	33	4.3	36
Western Europe ^b	2.7	+ 4.3	7.0	3.9	144	+2.2	51	6.1	86
Northern Europe ^c	15.2	- 8.8	6.4	11.1	73	-3.6	41	7.5	117
Central and southern Europe: Group I ^d	7.0	+ 6.8	13.8	8.8	126	+0.1	1.5	8.9	64
Group II ^e	13.7	- 6.4	7.3	9.4	69	+0.1	(^f)	9.5	129
USSR	33.8	- 5.8	28.0	35.0	104	+0.7	(^f)	35.7	128

Source: Economic Commission for Europe, *Report to the Industry and Materials Committee*, document E/ECE/IM/2/Rev.1.

^a Stocks omitted to facilitate comparison; small quantities of hardwood included in few cases.

^b France, Belgium-Luxembourg, Netherlands, and Denmark.

^c Norway, Sweden, and Finland.

^d Germany (western zones), Switzerland, Hungary, Italy, Greece, and Spain.

^e Poland, Czechoslovakia, Austria, Bulgaria, Roumania, and Yugoslavia.

^f Net exporters in the pre-war period.

After the war, home consumption of main timber-producing countries increased about twenty per cent above pre-war consumption, further reducing export availabilities. The increase in domestic consumption was a consequence of war devastation in some of these countries, and in others, like Sweden, was caused by a shortage of coal. The current volume of lumber production in these countries, although below pre-war levels, requires too high a felling rate for post-war forest resources, except in Germany. In the long run, as a consequence, a further decrease in lumber production is anticipated.

The Secretariat of the Economic Commission for Europe has estimated that in 1948 the minimum European deficit in lumber will be about two million standards, which means that western Europe and the Mediterranean area can expect to cover only about sixty per cent of their anticipated softwood requirements. European lumber production could be raised temporarily during the period of reconstruction if needed forestry equipment were made available to some countries and additional coal and other fuels to certain others.¹

¹ According to the report of the Timber Sub-Committee of the Economic Commission for Europe (document E/ECE/IM/2/Rev.1).

PROSPECTS FOR FURTHER RECOVERY OF INDUSTRIAL PRODUCTION IN 1948

The upward trend in industrial production in Europe, from the end of the war until mid-1947, may be expected to continue in 1948 under certain conditions, although at a gradually decreasing rate. Despite the marked slackening, and even decline, of industrial production in the second half of 1947,¹ a larger volume of industrial production might be expected in 1948,² if no significant decline in the volume of needed imports took place. The margin of unutilized capacity in many industries, and increasing intra-European trade, might even permit a substantial increase in industrial production if additional supplies above the amounts currently imported from outside Europe were available. As European countries approach pre-war levels of production or exceed them, however, further declines in the rate of increase appear likely.

To the extent that their influence is not diminished over the coming period, current bottle-necks in industrial production may continue to retard recovery in Europe in 1948. Post-war experience has indicated that the character of the shortages of key commodities tends to change at each successively improved level of production and that obstacles which had not been very important at an earlier period assume more serious proportions. In this connexion, it should be mentioned that some western European countries are facing substantial labour shortages. Almost all countries are finding it necessary to cope with shortages of workers with specific skills and of heavy labour. In certain western European countries, the current general shortage of labour will be aggravated by the planned release of prisoners of war in the face of an increasing demand for labour. Production in 1948 in these countries may be adversely affected, unless additional labour is made available through immigration and other measures.

A significant proportion of European industry has always depended, and since the war has depended much more, upon the availability of raw materials imported from overseas. Recovery to date in many industrial sectors has been achieved by a relatively high volume of imports from outside Europe, frequently in excess of pre-war imports.

The destruction and deterioration of industrial equipment as a result of the war has created demands, which have not yet been adequately met, for imports from outside of Europe in order to maintain and further restore industrial capacity. In several European countries, further reconstruction of industrial capital by the use of domestic resources is limited.

The prospects for further recovery of production in 1948 will thus be decisively influenced by supply availabilities and the possibility of financing an increased volume of imports. In this connexion account must be taken of the increasing effect, on the European economy as a whole, of continuing differences in the degree of industrial recovery among the devastated countries of Europe, particularly in the light of the inter-dependence of industrialized countries on the one hand, and agricultural countries with plans for industrialization on the other.

¹ Partly seasonal.

² An abnormally severe winter in Europe, such as that of 1946/47, however, could produce a decline as a result of undue pressure on limited fuel supplies and difficulties in transportation.

FOOD AND AGRICULTURE¹

In the summer of 1947, Europe harvested the third post-war crop that was far below pre-war levels and, as a consequence, most European countries in 1948 again face a serious shortage of basic foodstuffs. Since the end of the war Europe, as regards food, has been suffering from the effects of war-time disruption of the agricultural structure and the devastation and deterioration of agricultural capital—land, livestock, plant and equipment. The agricultural potential of Europe for the next several years is seriously reduced and the restoration and replacement of agricultural capital is impeded by the general world shortage of supplies for agricultural production. The situation has been further aggravated by unfavourable weather conditions in successive post-war years, first in eastern and then in western Europe.

Livestock suffered particularly as a result of war devastation, the reduction in eastern and south-eastern European countries being especially severe and amounting to more than one-half of the pre-war livestock population. The decline in livestock in western Europe, which was less severe, was a consequence of the need for maximum utilization of grain for human consumption and the absence or reduction of imported feed. The reduction in livestock numbers, combined with the fall in average yields of livestock products, may continue for several years to limit the volume of domestic supplies of meat, fats, and milk and dairy products in many European countries, particularly those of eastern and south-eastern Europe.

A severe shortage of draught power also arose in the countries which suffered heavily from loss of horses during the war. Also, farm equipment and buildings were destroyed in large numbers or suffered serious deterioration owing to lack of maintenance and replacement during the war.

Depletion of soil fertility caused by the absence of sufficient manure and chemical fertilizers, particularly in eastern European countries, coupled with intensive land utilization during enemy occupation, have created post-war demands for chemical fertilizers far in excess of presently available supplies.

RECOVERY OF AGRICULTURAL PRODUCTION SINCE THE END OF THE WAR

The net result of these shortages has been a drastic decline in the post-war output of crops and livestock products. In addition, there has been a sharp reduction of supplies from sources outside of Europe because of the shortage of foreign exchange and world shortages of foodstuffs. Food consumption in Europe immediately after the war declined to considerably below pre-war levels, and, in many countries, large sections of the population were and still are at a bare subsistence level.

Indigenous food supplies in 1945/46

The first post-war crops of 1945 in the occupied countries of Europe were disastrously low for the reasons cited above. In many of these countries, planting and harvesting of crops were disrupted by actual fighting, and large areas remained uncultivated or unharvested. Farm labour was inadequate, among other reasons, because millions of agricultural workers who had been deported to Germany as forced labourers or prisoners of war were just beginning to return to their farms. The combined effect of shortages of fertilizer, lack of

¹ See also the special report of the Food and Agriculture Organization of the United Nations, "The World Food Situation", part III, chapter 1 of this report.

adequate draught power, equipment, labour, as well as other factors, was a reduction of average yields per hectare, in many cases to one-half of pre-war yields.

Production of grains and potatoes since the end of the war in various European countries¹ is shown in table 68. For Europe as a whole,² production of

Table 68
RECOVERY OF INDIGENOUS PRODUCTION OF GRAINS AND POTATOES
IN EUROPEAN COUNTRIES
Pre-war and 1944/45—1946/47^a

	Pre-war (Millions of metric tons)	All grains			Pre-war (Millions of metric tons)	Potatoes		
		1944/45 (Per cent of pre-war)	1945/46	1946/47		1944/45 (Per cent of pre-war)	1945/46	1946/47
<i>Group I</i>								
Belgium	1.7	55	55	51	2.0	62	68	90
France	15.3	52	80	59	15.8	35	66	101
Luxembourg	0.1	68	87	74	0.2	50	67	74
Netherlands	1.4	57	105	80	2.9	95	155	153
Switzerland	0.3	184	166	141	0.7	228	152	174
United Kingdom	4.6	174	158	156	3.1	186	198	205
<i>Group II</i>								
Denmark	3.5	104	111	93	1.3	119	134	148
Finland	1.4	57	64	57	1.3	60	67	81
Norway	0.4	91	99	80	0.9	125	135	95
Sweden	3.2	72	78	63	1.8	90	105	101
<i>Group III</i>								
Austria	1.9	45	47	47	2.8	35	54	54
Greece	1.4	49	90	66	0.1	165	173	175
Italy	11.2	55	79	68	2.8	83	92	92
<i>Group IV</i>								
Germany	22.0	58 ^b	60 ^b	64 ^b	48.2	72 ^b	68 ^b	52
<i>Group V</i>								
Bulgaria	3.1	52	94	..	0.1	27	..	..
Czechoslovakia	5.7	58	72	67	9.3	61	67	..
Hungary	6.0	57	58	63	2.4	94	..	..
Poland	12.9 ^c	39	37	41	33.8 ^c	41	48	53
Yugoslavia	7.8	58	55	.. ^d	1.6	60	60	..

Source: Countries participating in Committee of European Economic Co-operation from *Report of CEEC*, Volume II; other countries from working papers of the United Nations Technical Committee on Post-UNRRA Relief, and *Reports of the Secretary-General of International Emergency Food Council* to the fourth and fifth meetings of the Council, July and October 1947; also Food and Agriculture Organization of the United Nations *Potatoes Review*, 27 June 1947. Pre-war data represent averages of three to four years, generally 1934-38.

.. Not available.

^a Represents production in crop year specified and available for consumption during subsequent crop year.

^b Western zones only.

^c Pre-war data refer to Poland within pre-war boundaries in this and other tables of this section.

^d Not available but reported to be considerably higher than previous year.

¹ In general, countries have been grouped as follows in various tables in this section: Group I, countries of western Europe, other than Scandinavian countries, Germany and Italy; Group II, Scandinavian countries; Group III, Austria, Greece and Italy; Group IV, Germany; Group V, countries of central and eastern Europe, except Greece and Italy.

² Not including the USSR for which data are not available. Unless otherwise specified, references to Europe throughout this section exclude the USSR because of inadequate data.

bread and coarse grains declined to about sixty per cent of pre-war figures. The impact of this decline on individual countries varied, being greatest in occupied countries and relatively small or absent in neutral countries; in the United Kingdom an increase was achieved by reducing area in pasture in favour of crop production. Declines of forty to fifty per cent occurred in most occupied countries, the drop in grain production in Poland being as high as sixty per cent. Potatoes, which represented an important food source in several of these countries, fell to similarly low levels. In Poland, for example, where potatoes constitute an especially important part of the local diet, the 1945 potato crop was only forty-one per cent of the pre-war average.

Almost all countries suffered a severe shortage of fats during 1945/1946, as table 69 indicates. In several countries domestic production of fats declined to fractional levels of the pre-war position as a result of reduced numbers of livestock and, in addition, of low fat yields per head of livestock owing to the shortage of fodder. Domestic supplies of fats were only thirteen per cent of pre-war supplies in Poland, twenty-five per cent in Yugoslavia, and considerably below fifty per cent in several other countries. Countries which were not occupied suffered less but, notwithstanding this, severe declines took place in domestic production of fats, primarily because of the need for conserving grains for human consumption and the absence of imported feed. For all countries participating in the Committee of European Economic Co-operation, the production of oils and fats in 1945/46 was one-third below pre-war production.

Production of meat (see table 69) and other livestock products was similarly affected. Meat production in Poland was only fourteen per cent of pre-war production; in the Netherlands, it was one-third; and in Belgium, Austria and Yugoslavia, two-fifths. For countries participating in the CEEC, (including western Germany), the over-all decline in meat production was about one-third; drastic declines occurred also for other livestock products in these countries: twenty-seven per cent for milk, thirty per cent for butter, fifty-two per cent for other milk products and thirty-seven per cent for eggs. Even sharper reductions occurred in the output of these products in several eastern European countries, particularly in Poland, Hungary and Yugoslavia as a result of heavy livestock losses during the war.

Indigenous food supplies in 1946/47

During the fall of 1945 and the spring of 1946, European countries made strenuous efforts to place maximum areas under cultivation. They faced, in varying degrees, shortages of high-quality seed, owing to the poor harvest of 1945, lack of draught power, equipment and implements, and inadequate supplies of chemical fertilizers. Agricultural supplies from domestic production and from imports were still of totally inadequate proportions. Such supplies as were beginning to become available were already too late to affect significantly the 1945/46 crop. Notwithstanding these difficulties, which were especially serious in several eastern and south-eastern European countries, eighty-five per cent of pre-war areas were placed under cultivation in 1945/46.

Table 69

RECOVERY OF INDIGENOUS PRODUCTION OF FATS AND MEAT
IN EUROPEAN COUNTRIES

Pre-war and 1945/46—1947/48

	Fats				Meat			
	Pre-war (Thousands of metric tons)	1945/46 (Per cent of pre-war)	1946/47	1947/48	Pre-war (Thousands of metric tons)	1945/46 (Per cent of pre-war)	1946/47	1947/48
<i>Group I</i>								
Belgium	87	33	38	47	331	43	45	52
France	336	42	51	54	2,055	77	78	83
Luxembourg	5	80	80	80	17	53	59	65
Netherlands	116	53	69	67	387	32	48	52
Switzerland	38	76	82	66	194	63	64	62
United Kingdom	200	51	59	75	1,411	69	67	66
<i>Group II</i>								
Denmark	197	76	77	94	557	70	74	71
Finland	48	..	..	46	110	..	73	70
Norway	225	47	80	89	101	69	74	79
Sweden	89	127	122	119	303	87	90	90
<i>Group III</i>								
Austria	77	39	40	51	281	39 ^a	39	47
Greece	135	81	71	105	106	59	69	75
Italy	456	66	68	82	748	66	67	72
<i>Group IV</i>								
Germany	710	63 ^a	54 ^a	56	1,977 ^a	41 ^a	41 ^a	38 ^a
<i>Group V</i>								
Czechoslovakia	146	44	55	..	429	68	71	..
Poland	313	13	26	..	855	14	28	..
Yugoslavia	131	25	42	..	321	40	55	..

Source: See sources for table 68. Also Food and Agriculture Organization of the United Nations *Review of Fats and Oils and Livestock Products*, 21 July and 27 June 1947, respectively.

.. Not available.

^a Western zones only.

In 1946, the crops of bread and coarse grains, and potatoes, for Europe as a whole, were considerably above the previous year but about seventy per cent of pre-war crops. Most western European countries, Italy, Greece, and Czechoslovakia recovered to a substantial degree—in most cases to eighty per cent or more of the pre-war position (see table 68). Several countries of south-eastern Europe, however, were adversely affected by drought in the summer of 1946; this reduced yields and substantially nullified the increases in area sown. The grain crops in Austria, Belgium, Germany, Hungary, Poland, and Yugoslavia were less than sixty per cent of pre-war crops. Poland appeared to be in the most difficult situation: large areas of Pomerania had not been placed under cultivation and yields per hectare in the rest of Poland were extremely low. As a consequence, the grain crop in Poland was only thirty-seven per cent of pre-war production and the potato crop forty-eight per cent.

Domestic supplies of fats improved only slightly, owing to the continued necessity for conserving grains for human consumption and the absence of imported feed (see table 69). Meat production showed a similar slight improvement but, in most countries, still remained between one-half and two-thirds of pre-war levels (see table 69). The situation was most acute in Austria, Belgium, Germany, the Netherlands, and Poland, where levels considerably below one-half of pre-war production prevailed.

In general the substantial progress achieved in increasing the output of agricultural crops was the result of the return to more normal and orderly conditions after the upheaval of the war; the gradual return of prisoners of war and displaced persons to the farms; the improvement in the distribution of domestic agricultural supplies and the maximum use of limited domestic resources. However, unfavourable weather conditions provided a setback to several eastern and south-eastern European countries.

The 1947 grain and potato crops

During 1946 substantial progress was made in restoring domestic production of tractors, farm implements and fertilizers. Imports of such agricultural supplies had begun to flow into Europe in substantial quantities. A large part of the UNRRA supply programme for agricultural rehabilitation was shipped to European countries during 1946, the total programme amounting to about \$250 million. Over one-fourth of these supplies represented tractors and farm machinery, and only somewhat lesser proportions were livestock (chiefly draught animals) and seed; in addition, about ten per cent of the UNRRA programme was devoted to chemical fertilizers. With the improvement in the agricultural supply situation, there were grounds for optimism for a considerably improved food crop in 1947.

The unusually severe winter of 1947 in western Europe, which damaged or destroyed millions of hectares of fall seeded crops, and the extremely dry summer, cut the yields of all grain crops sharply. Grain crops in several western European countries were reduced to a level only somewhat above the disastrous crop of 1945 and even below that level in some countries (see table 68). The production of grains for Europe as a whole in 1947, as compared with the pre-war position, is shown in table 2 of part III of this report.

While the total grain crop for Europe showed only a small decline over the previous year, the large declines in western Europe were offset by the 7.5 million ton increase in maize production in Yugoslavia, Hungary, Bulgaria, and Roumania which approached pre-war levels.

The consequences of the sharp decline in the 1947 crops in western Europe for domestic supplies of fats, meats and dairy products in 1948 are most serious. The crop decline has provided a serious setback to the recovery of livestock numbers and output of livestock products (see tables 69 and 70). The increases anticipated for these products in 1947/48 are relatively small, as shown in table 69.

Table 70
NUMBERS OF LIVESTOCK IN EUROPEAN COUNTRIES
1944/45 and 1946/47 as a per cent of pre-war

	Cattle ^a		Hogs		Sheep		Horses	
	1944/45	1946/47	1944/45	1946/47	1944/45	1946/47	1944/45	1946/47
	(Per cent of pre-war)							
<i>Group I</i>								
Belgium	87	95	68	76	101	81	102	102
France	94	99	69	82	72	72	81	87
Luxembourg	101	111	59	51	122	145	87	92
Netherlands	85	93	47	52	75	77	102	102
Switzerland	90	89	68	81	101	93	109	104
United Kingdom	111	111	49	37	79	62	78	75

Table 70 (continued)

	Cattle ^a		Hogs		Sheep		Horses	
	1944/45	1946/47	1944/45	1946/47 (Per cent of pre-war)	1944/45	1946/47	1944/45	1946/47
<i>Group II</i>								
Denmark	103	98	52	57	145	116	116	108
Finland	87	87	50	52	103	102	98	105
Norway	95	90	52	60	64	57	125	113
Sweden	98	97	98	99	123	114	97	88
<i>Group III</i>								
Austria	84	86	46	56	129	129	104	108
Greece	58	67	93	107	73	86	71	80
Italy	93	100	100	104	79	91	67	62
<i>Group IV</i>								
Germany	92 ^b	87	48 ^b	44	108 ^b	85	96 ^b	101 ^b
<i>Group V</i>								
Czechoslovakia	89	94	69	79	100	107	85 ^c	91 ^c
Hungary	57	58	36	43	20	23	40	49
Poland	49	58	24	35	..	23	37	38
Yugoslavia	52	61	68	93	54	69	..	50

Source: Report of the Committee of European Economic Co-operation, *Vol. II; Technical Reports*; also data submitted to the United Nations Technical Committee on Relief Needs after the Termination of UNRRA.

.. Not available.

^a Including milch cows.

^b Western zones of Germany only.

^c Including other draught animals.

FOOD CONSUMPTION AND IMPORTS SINCE THE END OF THE WAR

Before the war, many countries of Europe were net importers of most basic food commodities, the United Kingdom being very heavily dependent on outside sources for its food supply. Most western European countries (including Germany) and Scandinavian countries were substantial importers of grains, particularly of animal feed. Italy, Austria and Greece also depended on imports for a significant part of their grain consumption. Other countries of Europe were largely self-sufficient or net exporters of grains. Western Europe as a whole (including Germany), Czechoslovakia, Italy and to a lesser extent Austria, were also large importers of fats and oils. With respect to meats, the United Kingdom was heavily dependent on imports; other significant net importers were Germany, Italy, France, Belgium, Switzerland, and Austria. The remaining countries of Europe were either self-sufficient or net exporters of meat products.

In view of the normal dependence of a large part of Europe on imports of food from abroad, the drastic declines in the output of agricultural and live-stock products described above necessitate lower standards of food consumption, unless imports from outside Europe are substantially increased above pre-war levels.

In the early post-war liberation period, when domestic food supplies were sixty per cent, or less, of pre-war levels in most European countries, certain basic foodstuffs available for import from outside of the European continent were also at levels substantially below those of the pre-war period. The reduced volume of grains and fats available for import into European countries during 1945/46 had to be apportioned, not only among normal pre-war net importers but among countries which were formerly exporters of grains, like Poland and Yugoslavia. Meat supplies available for import, however, were substantially above pre-war levels. General shortages were accompanied by shortage of shipping and the limited foreign exchange resources of European countries; the latter factor particularly affected relatively high-cost meat imports.

As a consequence, both of reduced indigenous supplies and the failure of imports to compensate for such reductions, extremely serious declines in *per capita* food consumption occurred in most European countries during 1945/46. The drop in domestic supplies affected particularly the food consumption levels of the non-farm population, which bore the brunt of the reduction. With reduced food production, the farming population usually retained a larger share of production for its own needs and, owing to the general shortage and the high prices of consumers' goods and available agricultural supplies, had little incentive to bring supplies to market. The situation was worsened by difficulties of transport, disruption of food storage and processing facilities, administrative difficulties of enforcing collection and rationing systems, and the existence of black markets.

In these circumstances, the non-farm population in most countries was heavily dependent upon imports from abroad for an important part of its food supplies and suffered the most severe reduction in food consumption. The average calorie intake and *per capita* food consumption of major food items, which are shown in tables 71 and 72, reflect the general decline in food consumption for the population as a whole, but considerably understate the reduction in food intake of the non-farm population. Some idea of the magnitude of this discrepancy may be gained from the following: an average intake of 2,000 calories for the population as a whole, in a country in which self-suppliers are one-third of the total population, represents—assuming an intake of 2,600 to 2,800 calories for self-suppliers—an intake of only about 1,600 to 1,700 calories for non-self-suppliers.

As tables 71 and 72 show, consumption levels in most western European countries in 1945/46 were far below pre-war levels. Reduction in *per capita* consumption of fats and meats had a particularly adverse effect on the composition of the diet of the population of western European countries, which prior to the war had a relatively balanced diet of grains and livestock products. Calorie intakes have been prevented from declining further in these countries by the maintenance of bread-grain consumption at pre-war levels, through higher extraction rates and the mixture of bread and coarse grains. In eastern and south-eastern European countries, most of which consumed relatively small quantities of fats, meats and other livestock products *per capita* and relatively large quantities of grain products, the sharp declines in domestic supplies of grains brought calorie levels to a bare subsistence minimum, and mass starvation was avoided only by emergency relief imports by UNRRA.

Table 71

ESTIMATE OF CALORIE VALUE OF DAILY FOOD INTAKE PER CAPITA FOR TOTAL POPULATION IN EUROPEAN COUNTRIES

Pre-war, 1945/46 and 1946/47

	Pre-war	1945/46 ^a (Calories)	1946/47
<i>Group I</i>			
Belgium	2,900	2,200	2,400
France	3,000	2,300	2,600
Netherlands	2,900	2,300	2,600
Switzerland	3,000	..	2,900
United Kingdom	3,000	2,800	2,900
<i>Group II</i>			
Denmark	3,200	2,900	3,100
Finland	3,000	2,300	2,600
Norway	3,100	2,500	2,600
Sweden	3,100	2,800	2,800
<i>Group III</i>			
Greece	2,450	2,100	2,200
Italy	2,700	1,850	2,000
<i>Group IV</i>			
Germany	3,000	1,600	1,800
<i>Group V</i>			
Austria	2,900	1,700	2,000
Czechoslovakia	2,700	2,000	2,500
Poland	2,600	2,100	2,100
Roumania	2,800	..	2,400
Yugoslavia	2,700	2,300	2,100

Source: United Nations Relief and Rehabilitation Administration, *Operational Analysis Paper No. 41*, April 1947; Emergency Economic Committee for Europe, *Statistical Bulletin*, July 1946; working papers of the United Nations Technical Committee on Relief Needs after the Termination of UNRRA.

.. Not available.

^a March 1946 approximately.

Table 72

ANNUAL PER CAPITA CONSUMPTION OF BASIC FOODSTUFFS IN EUROPEAN COUNTRIES, 1946/47

	All grain products (flour-equivalent)		Fats (all uses)		Meat (incl. offals)		Sugar (raw)	
	(Kilo- grammes)	(% of pre-war)	(Kilo- grammes)	(% of pre-war)	(Kilo- grammes)	(% of pre-war)	(Kilo- grammes)	(% of pre-war)
Belgium	125	101	19	70	32	78	31	100
France	118	94	13	61	33	84	20	76
Netherlands	120	118	23	71	21	53	24	82
Switzerland	115	103	15	66	32	67	40	100
United Kingdom	108	114	23	77	54	91	44	88
Denmark	112	124	24	66	52	82	34	59
Finland	136	100	10	60	20	60	19	67
Norway	120	100	25	79	26	75	29	84
Sweden	105	108	19	68	42	100	40	81
Greece	157	108	13	71	8	49	9	79
Italy	140	82	9	58	10	58	7	84

Table 72 (continued)

	All grain products (flour-equivalent)		Fats (all uses)		Meat (incl. offals)		Sugar (raw)	
	(Kilo- grammes)	(% of pre-war)	(Kilo- grammes)	(% of pre-war)	(Kilo- grammes)	(% of pre-war)	(Kilo- grammes)	(% of pre-war)
Austria	127	98	9	50	20	40	7	26
Czechoslovakia ...	150	115	11	62	21	82	30	122
Germany:								
American and								
British zones....	116	97	6	20	18	35	10	62
French zone....	127		7		17		8	
USSR zone....	100		4		11		32	
Poland	120	80	5	54	9	47	13	105
Yugoslavia	177	79	5	59	9	58	2	35

Source: International Emergency Food Council, *Reports of the Secretary-General* to the fourth and fifth meetings of the Council, July and October 1947.

During 1946/47 food consumption levels improved moderately in many western European countries, and in Czechoslovakia and Italy, as a result of the larger 1946 crop, but they were still far below pre-war levels. In several eastern and south-eastern European countries the food situation was only little improved, and, in the months immediately prior to the availability of the 1947 crop, was considerably worse than in the previous year.

In emphasizing post-war needs for food imports into Europe, the role of imports in European food consumption before the war has frequently tended to be overlooked. Grain imports into net importing European countries were about 22 million tons before the war but only somewhat over 17 million in 1945/46 and 18 million in 1946/47. Before the war, eighty-five to ninety per cent of grain imports went to eight European countries—the United Kingdom (forty to forty-five per cent), Belgium, Germany, Netherlands, France, Switzerland, Italy, and Austria. In 1945/46 reduced grain imports into these countries accounted for only a slightly smaller percentage of total European grain imports than in the pre-war periods. The relative share of the United Kingdom during 1945/46 declined considerably, as compared with the pre-war share, and the shares of France and Italy increased substantially. In addition, Czechoslovakia, Poland and Yugoslavia—the latter two exporters prior to the war—received imports amounting to about seven or eight per cent of total European grain imports. In 1946/47, the volume of grain imports into Europe was slightly higher but there was a decline in the percentage of total grain imports to several western European countries, Austria, Italy and Greece and to eastern and south-eastern Europe; most of the increased grain imports went to the United Kingdom and the western zones of Germany.

About ninety per cent of imports of fats prior to the war went to eight European countries—Germany (thirty per cent), United Kingdom (twenty-six per cent), France (sixteen per cent), Italy, Belgium, Czechoslovakia, Netherlands, and Sweden. In 1945/46, these same countries also received about ninety per cent of total fat imports into Europe, amounting to about two-fifths of the pre-war figures. During 1946/47, imports of fats into Europe were somewhat above two-thirds of pre-war imports, so that imports to most countries were substantially increased above 1945/46 levels.

Regarding meat imports, most countries of Europe before the war were self-sufficient or net exporters. Almost ninety per cent of meat imports went

to the United Kingdom. Germany, Italy, France, Belgium, Switzerland, and Austria accounted for practically all of the remainder. Total meat imports into Europe in 1945/46 exceeded 120 per cent of the pre-war imports. Most European countries were net importers of meat during this period; former importing countries increased their imports of meat substantially and former self-sufficient and net exporting countries imported from ten to fifteen per cent of the increased total meat imports. In 1946/47 meat imports declined to about pre-war levels, as UNRRA imports tapered off and other countries reduced meat imports; the relatively high cost of meat in the face of limited foreign exchange resources was an important factor in this reduction.

PROSPECTS FOR 1948¹

In view of the decline of agricultural crops in 1947 in most countries of western Europe, domestic food supplies in 1948 in this part of Europe are expected to be lower than in 1947. The reduction in grains will mean smaller quantities available, both for human consumption and for fodder, with adverse consequences for supplies of fats, meats, and dairy products. The rehabilitation of livestock will likewise be retarded; in several countries, it was reported, in the latter part of 1947, that large-scale slaughtering of livestock was taking place owing to shortages of feed. There was a moderate improvement in the output of agricultural crops in 1947 in Poland and in several Danubian and Balkan countries; considerably larger crops are reported in 1947 in Yugoslavia and the USSR. While grain consumption levels in 1948 are expected to rise in these countries, consumption of meats and fats may continue to be limited, as reduced livestock populations are slowly restored.

It appears that world shortages of foodstuffs and limited foreign exchange resources will make it difficult, if not impossible, to compensate for declines in domestic supplies. Consumption levels in 1948 from both indigenous and imported supplies in countries participating in the Committee of European Economic Co-operation (CEECE), have been estimated as follows (similar estimates are not available for other countries):

	Pre-war	1946/47	1947/48
	(Kilogrammes per capita)		
Bread grains	192	158	159
Fats and oils.....	24.1	13.3	17
Meat	42.9	27.7	30
Potatoes	236	190	228

Source: Report of the Committee of European Economic Co-operation.

Countries participating in the CEECE have estimated their import requirements for bread and coarse grains in 1947/48 at approximately 30 million tons. The CEECE decided to assume a total availability of imports for participating countries of 20 million tons, in view of discussions of the International Emergency Food Council and Special Cereals Conference. Import requirements for Czechoslovakia, Finland and Poland² are stated at 2.3 million tons. It is estimated by the Food and Agriculture Organization of the United Nations that

¹ For a more detailed analysis of European and world food prospects for 1948, see the special report of the Food and Agriculture Organization in part III of this report: chapter 1, "The World Food Situation".

² As adjusted by the International Emergency Food Council.

2.4 million tons may be exported from the USSR and south-eastern Europe in 1947/48, in view of recent trade agreements involving grains.

Fat imports in 1947/48 are estimated by countries participating in the CEEC at ten per cent higher than the total allocated in 1947. The need for fat imports into other European countries, which may have a slightly improved supply of indigenous fats, may be expected to persist in 1948 in view of the low levels of domestic production. In the view of the CEEC, the increased requirements of participating countries can be met from increases in available supplies in the Far East and in connexion with colonial development plans. According to the FAO, 1948 appears likely to be a more difficult year from the standpoint of supplies of fats and oils available for export.

Considerably increased import requirements for meat are estimated by the CEEC for 1947/48 at approximately 2,100 thousand tons, compared with 1,600 thousand to 1,700 thousand tons in 1946/47. Limited foreign exchange resources are a major factor which will affect the volume of imports of meat products into European countries, nearly all of which have substantial meat import requirements.

While it is too early to forecast prospects for agricultural crops in Europe in 1948, since fall plantings have only recently been made, European countries as a whole are in a generally improved position with respect to supplies for agricultural production. Domestic production of fertilizers, tractors and farm equipment have been increasing in most countries, but serious shortages still persist. A substantial volume of UNRRA supplies was shipped in 1946/47 and will be available for use during 1947/48. Countries participating in the CEEC have estimated their import requirements for fertilizers and tractors in 1948 to be considerably above imports in 1947. The extent to which world supplies are sufficient to meet these requirements is discussed in the FAO report on "The World Food Situation", included in part III of this report.

On balance, it appears that favourable conditions exist for further recovery of agriculture in 1948 but that production will still fall considerably short of pre-war levels. In most European countries, recovery of agricultural production to pre-war volume probably cannot be expected before 1950.

POST-WAR INFLATION AND INTERNAL FINANCIAL STABILITY¹

The occupied countries of Europe, as a result of the systematic exploitation by Nazi Germany of their economic resources, emerged from the war with chaotic financial and monetary conditions, and with inflation, frequently of huge magnitude. During the war, the economies of these countries had been converted to war production at the expense of civilian consumption. Large amounts of raw materials, foodstuffs and capital equipment, as well as gold holdings, had been removed from these countries. The costs of occupation had been saddled upon them, forcing them to issue notes and incur large budgetary deficits. New, and several different, currencies had been introduced in many of these countries; printing presses had been used to finance occupation costs and to pay for supplies removed from the country.

¹ The discussion in this section is limited to a description of post-war trends in prices, wages, cost of living and monetary circulation, with some indication of the underlying factors in various countries. For a detailed analysis of inflationary pressures, see United Nations Department of Economic Affairs, *Survey of Current Inflationary and Deflationary Tendencies*, September 1947.

As a consequence of the employment of such methods of economic exploitation, some or all of the following conditions obtained in greater or lesser degree at the end of the war in these countries: (a) The volume of money was many times pre-war levels, reflecting, among other things, pent-up liquid savings, huge budget debts created by the costs of enemy occupation, and frequently, several currencies in circulation in the same country; (b) There was a drastic shortage of goods, on the one hand, depleted stocks, and low levels of industrial and agricultural production, and on the other hand, a vastly increased demand for goods, resulting from pent-up liquid savings referred to above, and accumulated needs during the war; (c) A consequence of all these factors was an inflation of prices—sometimes of gigantic proportions, a general distrust of currency, hoarding of supplies, and the substitution of barter for the use of currency.

The situation was most chaotic in the occupied countries of eastern and south-eastern Europe, where Germany deliberately pursued a policy of inflation to achieve its war aims. An inflationary situation of much smaller proportions was inherited by the occupied countries of western Europe, where rationing, and price and wage controls introduced by Germany during the war to facilitate removal of goods and foodstuffs, did much to contain inflationary price movements.

Inflationary factors were at work to a far smaller degree in the non-occupied countries of Europe, where the substantial increases in prices, wages, government budget deficits and monetary circulation during the war were of manageable proportions. At the end of the war these countries were faced with serious shortages of goods, but the continuation of war-time rationing and price controls and relatively high production levels prevented any serious deterioration in the immediate post-liberation period. Deferred demands for goods and accumulated war-time savings in the face of limited supplies were, nevertheless, exerting strong inflationary pressures, which were kept in check by relatively effective rationing and price control measures.

POST-WAR MONETARY REFORMS

Almost immediately upon liberation, many occupied countries were faced with the necessity of monetary reform to re-establish a single national currency and to reduce the volume of money in circulation. In several of these countries, increases in monetary circulation, which sometimes reached astronomical heights, tended to lag considerably behind increases in commodity prices. Frequently, wages became worthless unless computed either in terms of commodities or according to daily changing index numbers. Under the monetary reforms introduced in the early post-liberation period, notes and currencies issued by occupation authorities and puppet governments were declared void as legal tender. New currency was issued in exchange for old at rates which usually reflected more than the loss of value of the old currency. In several countries, particularly of eastern and south-eastern Europe, only a part of individual holdings of old currencies had been exchanged, the balance being frozen in bank accounts from which only limited withdrawals for specified purposes were permitted.

In Greece, one new drachma was exchanged for 50,000 million old drachmas. Yugoslavia replaced 250,000 million old dinars with 6,000 million new notes, or less than one-half of pre-war circulation; the maximum amount to be paid to

any holder was limited to 5,000 new dinars, the balance being blocked for three months and subject to a special levy. In Czechoslovakia, where no less than four currencies were circulating, exchange was limited to 500 new crowns and remaining balances were frozen, which resulted in a note circulation only three times as great as before the war. The monetary inflation in Hungary was of a most extreme character and increased to such an extent after the end of the war that, by July 1946, an inflationary peak in the volume of pengo circulation of 47×10^{18} was reached. The situation was finally stabilized by drastic monetary reform in the summer of 1946 which established a new currency and price relationship for various commodities: the price of wheat, for example, was fixed at 2.1 times the pre-war price of wheat. Drastic curtailment of monetary circulation was accompanied by the imposition of heavy taxes and the virtual balancing of the national budget. In general, these monetary reforms reduced cash accumulations and the volume of monetary circulation in relation to existing output and prices.

In December 1947, the USSR, in conjunction with the discontinuance of rationing and the establishment of a uniform price system, issued a new ruble in place of the old. The rates at which rubles were exchanged varied for savings deposits, cash, bonds, and other ruble holdings; rates also varied according to the size of individual holdings, and the character of bonds. The steepest rate applied to cash, which was exchanged at the rate of one new ruble for ten old ones. Savings deposits, on the other hand, were exchanged, ruble for ruble, up to 3,000 rubles; for the remainder, up to 10,000 rubles, the rate was two new for three old rubles; and one new for two old rubles for deposits above this amount. No estimate has yet been announced of the expected reduction in the total volume of money that will result from the establishment of the new currency. Prices of essential commodities are stated to have been reduced between ten and fifteen per cent.

INFLATIONARY PRICE MOVEMENTS SINCE THE END OF THE WAR

All European countries have experienced heavy inflationary pressures of varying magnitude since the end of the war; these have been reflected in different degrees in the upward movement of prices. Inflationary factors differ in each country, but certain similarities since the end of the war permit a broad classification of countries into the following groups: (1) countries in which there has been a marked degree of stability in price levels since the end of the war; (2) countries in which relatively less severe inflationary price movements have occurred since the end of the war and in which there has been a continued upward movement of prices of moderate character—frequently, however, only after the establishment of new price relationships through monetary reform; (3) countries in which extremely heavy inflationary pressures and considerable instability of prices have persisted (also characterized by a large gap between controlled and black or free market prices), and (4) countries with special problems arising from Allied occupation.

The trend of wholesale prices, cost of living, and money circulation, expressed in index numbers, usually with 1937 equal to 100, is shown in the accompanying charts.

Group 1. In the United Kingdom, Switzerland and Scandinavian countries (other than Finland) price inflation during the war was of a limited character and prices since the end of the war have been remarkably stable.

The wholesale price index at the end of the war was somewhat above 150 in the United Kingdom, was approximately 175 in Denmark, Norway and Sweden, and was almost 200 in Switzerland (1937 = 100). Since that time, and through the middle of 1947, little change has occurred in wholesale price levels in Norway, Sweden and Switzerland, and relatively moderate changes have occurred in Denmark and the United Kingdom; in the latter two countries the wholesale price index rose by about twenty per cent.

War-time inflationary price movements in these countries were limited primarily because of the effectiveness of rationing and price controls and the use of consumer subsidies. The relatively high production levels at which they emerged from the war and the continuation of war-time controls have enabled these countries, since the end of the war, to combat inflationary pressures effectively. These pressures result from the shortage of consumer goods, food and raw materials, imports of which are affected by the dollar shortage. Another factor is the high ratio of savings to consumption expenditures required for investment because of neglected investment during the war years. The increase in wholesale prices in the United Kingdom appears to have been affected by the increase in prices of imports from the United States. This follows because of the importance of such imports in total consumption in the United Kingdom.

In view of the relative stability of prices in these countries since the end of the war, real wages have not been affected adversely. In the United Kingdom, real wages have increased as a result of government subsidies for essential consumer goods, which kept increases in the cost of living below nominal wage increases. The cost-of-living index in the United Kingdom¹ has been, and still is, 132 of the pre-war basis, compared with the index of weekly wage rates of 166 in June 1947, and of 175 for wholesale prices. The cost-of-living indexes in other countries in this group have also remained below levels of wholesale prices, reflecting a marked degree of stability in the purchasing power of wages. This does not mean, however, that consumption has necessarily been increased or even maintained because wages cannot be spent owing to limited supplies made available through rationing.

Bulgaria has also experienced a limited upward movement of prices since the end of the war. Wholesale prices at the end of the war were three to four times the pre-war level; they rose fifty per cent in 1945 and ten to fifteen per cent after that date. Bulgaria quickly resumed pre-war production levels after the end of the war. Information is not available on the types of rationing and price and wage controls which are in effect in that country.

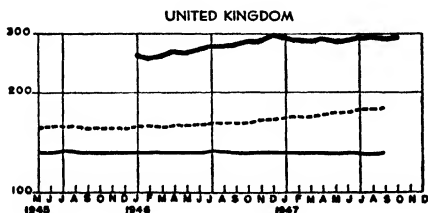
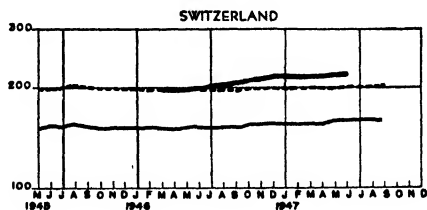
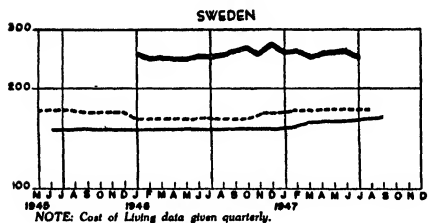
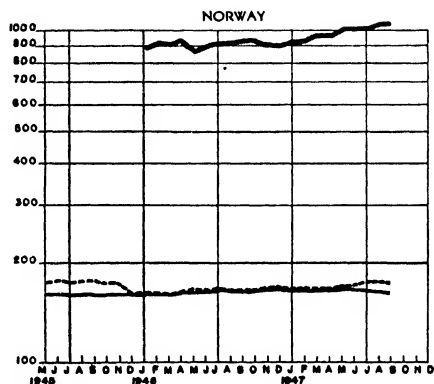
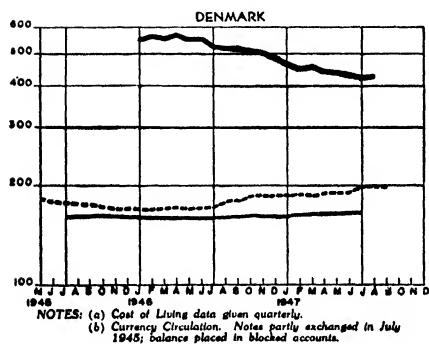
Group 2. A less favourable situation is found in the majority of European countries, in which post-war price levels have been characterized by a more or less continuous upward movement so that by mid-1947 price levels were roughly twice as high as in the early post-liberation period. In a number of these countries, as described earlier, an entirely new price structure had been established as a result of monetary reform soon after liberation; in Poland, for example, the new price level was eighty times the pre-war level. The upward movement of prices in these countries, nonetheless, appears to be of a moderate character when compared with countries which experienced hyper-

¹ There is some question as to the comparability of this index before and after the war owing to the effect of rationing.

**INDEXES OF WHOLESALE PRICES, COST OF LIVING,
AND MONETARY CIRCULATION IN CERTAIN EUROPEAN COUNTRIES**
(1937 = 100)

LEGEND: . WHOLESALE PRICES ----- COST OF LIVING ———
MONEY CIRCULATION (= Note Circulation + Bank Demand Deposits) ———

DENMARK, NORWAY, SWEDEN, SWITZERLAND, UNITED KINGDOM



Sources: Monthly Bulletin of Statistics, Statistical Office of the United Nations

International Financial Statistics, International Monetary Fund

UN Presentation 606.1

inflationary price changes or which are still subject to extremely severe inflationary pressures.

Price developments in Belgium, Czechoslovakia and the Netherlands have been rather similar. The wholesale price level at the end of the war in Czechoslovakia and the Netherlands was about 150 per cent of the pre-war level. Later price increases raised price levels in Czechoslovakia and Belgium to about 300 per cent of pre-war and in the Netherlands to about 250 per cent of pre-war levels. While wholesale prices have been relatively stable in Czechoslovakia during the past year, they have continued to reflect an upward movement in Belgium and the Netherlands.

Factors favouring the prevention of more substantial inflationary movements were the existence of war-time controls under enemy occupation and the emergence of these countries from the war with industry and agriculture in a relatively less devastated condition than in the countries of eastern and south-eastern Europe. Nevertheless, the substantial requirements of reconstruction caused large budget deficits in all of these countries. Such deficits have been reduced during 1946 and 1947, but still exert a considerable inflationary pressure on prices. The shortage of goods and the requirements for reconstruction investments, as a result of enemy occupation and war devastation, have been more severe in these countries than in those of the first group.

Wages appear to have lagged somewhat behind prices in these countries. Inflationary pressures have been combated by rationing and price control systems and by subsidies for essential consumer goods.

The situation is less favourable in Poland, which found it necessary to issue a new zloty worth one-eighth of the pre-war zloty. The cost-of-living index rose steadily from the end of the war; by mid-1947, it was about 150 times that of the pre-war index, but it declined somewhat during the summer of 1947. Real wages fell considerably below pre-war levels immediately after the end of the war, but increased by about thirty-five per cent between the beginning and the end of 1946. However, real national income and consumption *per capita* in 1946 were on the average only seventy-three per cent and sixty-seven per cent of the pre-war level within the old boundaries.¹ Substantial government deficits have been financed chiefly through note issues. More recently, despite increasing industrial production, the upward movement of prices has been influenced by the cessation of UNRRA imports, which has been particularly serious because of the lag in the recovery of food production. The cost of living in Warsaw increased thirteen per cent between the end of 1946 and May 1947. At the same time, money wages did not change substantially. On the whole, the inflationary pressure on prices in Poland appears to be heavier than in the countries described above, although the situation seems to have improved during the summer of 1947.

After a hyper-inflationary experience, Hungary appears to have achieved a considerable degree of stability in its price levels since the drastic monetary and budget reforms of July 1946. At that time the cost of living was adjusted to a level three and one-half times that of the pre-war levels. Limited upward movements of prices have taken place in the past year. More recently, how-

¹ For detailed discussion, see *Survey of Current Inflationary and Deflationary Tendencies*, United Nations, Department of Economic Affairs (Lake Success, N. Y., September 1947).

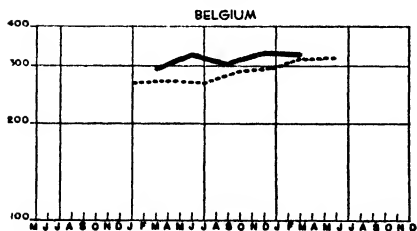
INDEXES OF WHOLESALE PRICES, COST OF LIVING, AND MONETARY CIRCULATION IN CERTAIN EUROPEAN COUNTRIES (1937 = 100)

LEGEND: WHOLESALE PRICES -----

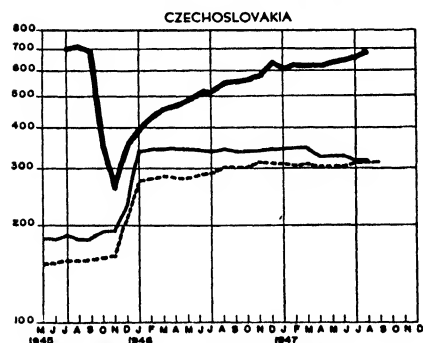
MONEY CIRCULATION (= Note Circulation + Bank Demand Deposits except Czechoslovakia, note circulation only.)

COST OF LIVING ———

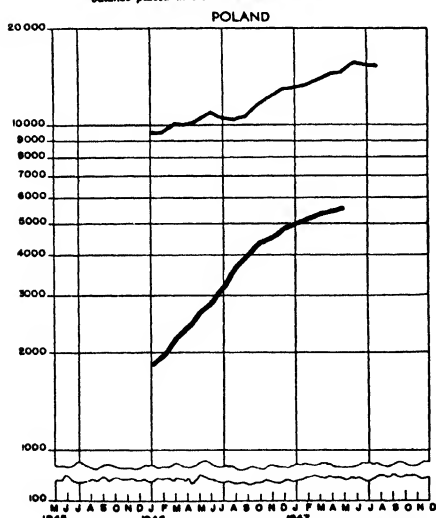
BELGIUM, BULGARIA, CZECHOSLOVAKIA, FINLAND, NETHERLANDS, POLAND



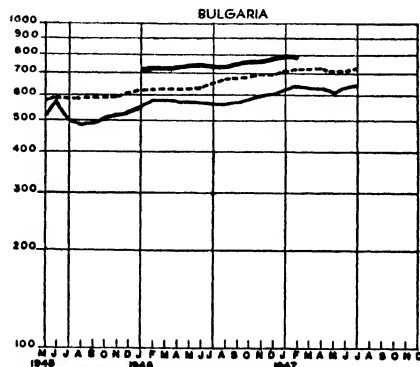
NOTES: (a) Wholesale Prices data for 1945 given quarterly.
(b) Currency Circulation data for 1945 given quarterly.



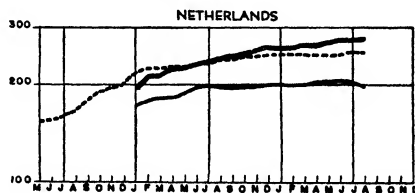
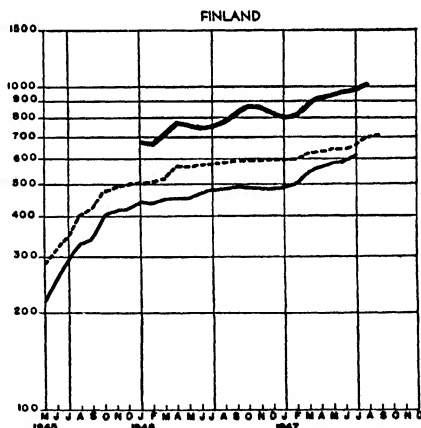
NOTE: Heavy line represents currency circulation only.
In November 1945, notes partially exchanged;
balances placed in blocked accounts.



NOTE: Currency Circulation, 1938 = 100. Data for 1947 include only March and May.



NOTE: Cost of Living, 1939 = 100.



NOTES: (a) Cost of Living, data not given for October and November 1945, and for January, February, October, and November 1946.

(b) Currency Circulation. In March 1943 and in July and September 1945, notes partially withdrawn. Beginning October 1945, excluding old notes not yet presented for exchange (January 1947: 237 million guilders).

ever, a strong upward movement in the cost of living has made its appearance; in August 1947, the cost-of-living index stood at 383, on a pre-war base of 100.

Group 3. In several countries, even greater difficulties have been encountered in establishing a reasonable degree of stability in the price structure. The situation in these countries has been complicated by the existence of a large sector in the economy in which uncontrolled prices reached levels considerably above those of controlled prices. These countries have been coping with a mounting spiral of price and wage increases since the end of the war.

Italy's index of wholesale prices in mid-1946 was twenty-six times its pre-war level. The breakdown of the system of controls under the Fascist regime released a tremendous inflationary pressure which was aggravated by substantial budgetary deficits, pent-up demand in terms of accumulated savings, and demand generated by Allied expenditures in Italy.¹ As a result, after a decline during the first half of 1946, prices resumed an upward movement, reaching a high, by July 1947, of fifty-eight times the pre-war levels, or twice the level of June 1946. The pent-up demand in terms of liquid savings was absorbed before the end of 1945. However, the inadequacies of the food control system, which provided a strong incentive to farmers to withhold grains from delivery, could not effectively reduce the pressure of inflationary forces. In spite of the remarkable recovery of production, inflationary pressures have been increasing, primarily as a result of the large increase in the requirements for savings and a simultaneous decrease in the tendency to save, the latter being caused chiefly by the fact that real income remained far below the pre-war level. Post-war government deficits, which increased substantially in 1946 to 1947, contributed greatly to the situation, notwithstanding an increase in financing through internal loans. In general, inflationary pressure generated by the budget deficit has been reduced by net imports under foreign aid programmes, and the possibility of checking further inflationary movements seems largely dependent upon the volume of imports available, reform in the tax structure, and the effectiveness of tax collection.

A rather similar situation has existed in France. The price level at the end of the war was only 3.7 times the pre-war level but has increased rapidly since then. At the end of 1946, it was 8.5 times the pre-war level and by the summer of 1947, about nine times the pre-war level. At the end of the war nominal wages were about 165 per cent of the pre-war level, having been maintained at a very low level during occupation. Wage increases have been made in the post-liberation period; the process started with wage increases of at least forty per cent during the last quarter of 1944. Industrial production has nearly reached pre-war levels. Military expenditures and the cost of reconstruction and equipment have placed extraordinary burdens on the national budget, which showed substantial deficits in 1945 and 1946. While the ordinary budget is now reported to be practically balanced, the large investment budget is financed through long-term loans. The situation has worsened considerably as a result of the poor harvest of 1947 and the exhaustion of dollar resources. Inflationary pressures have been increasing for reasons very similar to those described above in connexion with Italy.

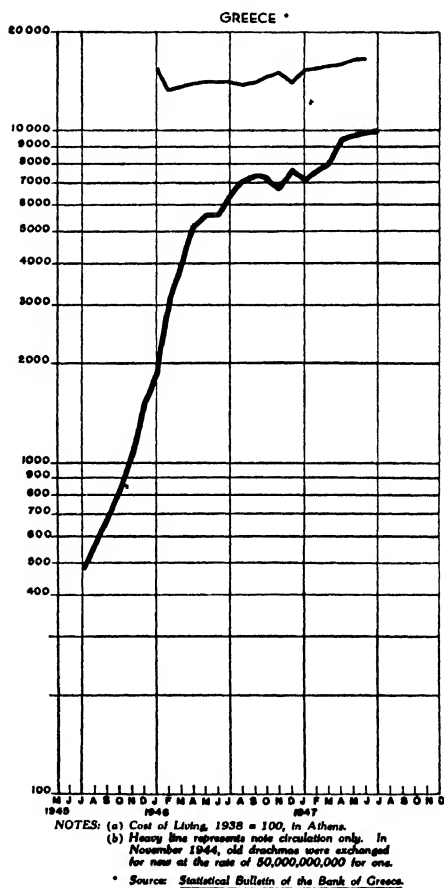
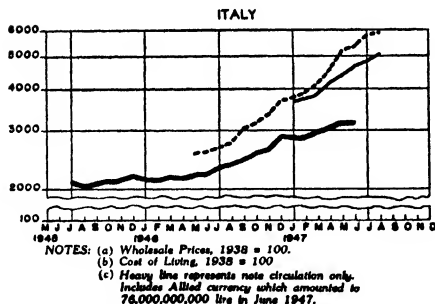
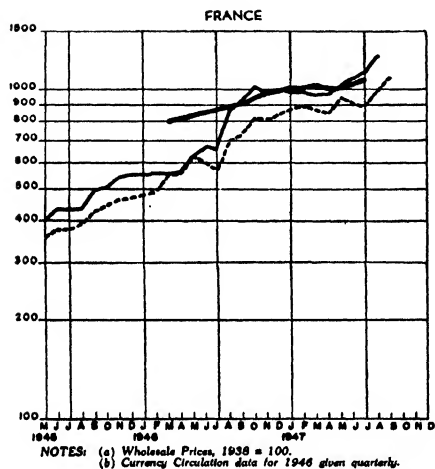
The serious inflationary situation in Greece has been met thus far by utilization of the country's gold and foreign exchange reserves and extensive foreign

¹ See *Survey of Current Inflationary and Deflationary Tendencies*, *supra*, for fuller discussion of the situation in 1946 in Italy and France.

INDEXES OF WHOLESALE PRICES, COST OF LIVING, AND MONETARY CIRCULATION IN CERTAIN EUROPEAN COUNTRIES (1937 = 100)

LEGEND: WHOLESALE PRICES ----- COST OF LIVING ———
MONEY CIRCULATION (• Note Circulation + Bank Demand Deposits
In Greece and Italy, note circulation only.) ———

FRANCE, GREECE, ITALY



aid. The uncontrolled currency inflation facing the country upon liberation was met by the exchange of new currency which reduced the volume of money to about one-half of its pre-war level. By December 1945, however, an inflationary situation was again evident. The cost-of-living index during 1946 was maintained at a relatively stable level partly as a result of the importation of UNRRA supplies, but even more as a consequence of the policy of the unrestricted sale of gold reserves of the Bank of Greece. Prices have been increasing, however, and probably would have increased still faster except for the continuation of free imports under the American aid programme. Continuing budgetary deficits, which are large in relation to national income and have been financed through note issues, appear to be responsible in large part for the upward movement of prices. For the most part, goods are distributed through the free market in the absence of a rationing system. It is still too early to judge the possible effects of recently adopted taxation measures for reducing the budget deficit.

In general, the price situation in these countries has shown a tendency to deteriorate in spite of the measures taken thus far and there is a considerable degree of instability particularly in price-wage relationships.

Group 4. Special situations exist in Roumania, Austria and Germany.

In Roumania, where at the end of the war the cost-of-living index was thirty-eight times its pre-war level, a run-away inflationary movement occurred after the extremely poor harvest in 1946. In March 1947, the cost-of-living index was 1,600 times that of the pre-war period.

It is difficult to ascertain the extent of price inflation in Austria because prices in a large sector of the economy not subjected to price control are not reflected in available indexes. Although the prices of controlled goods show a relatively moderate upward movement, the cost-of-living index increased during 1946 to about thirty-three per cent above 1945. Prices on the black market in August 1945, however, were more than 100 times the controlled prices in many instances. By January 1947 black market prices had fallen substantially below the level in August 1945, but recently resumed their upward course. Important factors in the inflationary situation in Austria are the level of industrial production, which was estimated in the first quarter of 1947 at only forty to fifty per cent of the pre-war level, and large budgetary deficits which have been increased by occupation costs. Further deterioration has been prevented by large-scale imports, particularly of food, from UNRRA and from external aid since the termination of UNRRA.

In western Germany, the price mechanism has not been functioning since the end of the war, and a strict rationing system permits the distribution of the most essential commodities. Supplementing of rations in the black market is based on barter rather than the use of money. The wage structure is controlled and the purchasing power of wages is dependent on the legal distribution system.

PRICE-WAGE RELATIONSHIPS SINCE THE WAR

As previously indicated, there has been a general tendency for nominal wages to lag behind increasing prices with the result that real wages in most countries have declined. European countries have generally tried to correct the decline in the purchasing power of wages by raising nominal wages, by holding back increases in prices through rationing and price control, and by reducing prices through the use of subsidies.

The upward adjustment of nominal wages was seldom successful of itself, in increasing for long the purchasing power of wages in relation to prices. In most countries, wage increases had to be authorized by the Government and wage increases were not considered the most desirable way of correcting wage-price inequities, because they tended to upset government budgets, costs of production and existing national plans and might induce an inflationary spiral of prices and wages in the absence of effective rationing, and price and wage controls. On the other hand, when prices could not be controlled because of ineffective rationing schemes, demands for increased wages from wage-earners and salaried workers usually followed.

Rationing and price control systems have been the most important factor in preventing declines in real wages in European countries. The successful application of rationing and price control in the United Kingdom limited inflationary price movements and maintained the purchasing power of wages despite the scarcity of essential goods. Rationing and price control systems, however, were of limited effectiveness in many countries, particularly in the face of acute shortages of goods and other powerful inflationary factors; even in these circumstances, however, such controls reduced inflationary pressures and tended to affect favourably the economic situation of lower income groups.

To maintain the purchasing power of wages, most European countries also pursued a policy of consumer subsidies, particularly for food and coal. The payment of such subsidies represented a significant burden on the national budget. During 1947, several countries, because of the urgency of balancing their budgets, abolished such subsidies and other countries reduced them considerably. The deflationary influence of the reduction in government expenditures thus achieved, however, was offset by resulting price increases.

PROSPECTS FOR 1948

The inflationary pressure inherited from the war decreased somewhat in 1946 as a result of rapid recovery in industrial and agricultural production in most countries. This recovery was reflected in increased national income, substantial decreases in government deficits in most countries, and large import surpluses made possible by UNRRA assistance, credits, and expenditure of available foreign exchange and gold reserves.

During 1947 inflationary pressures were eased by the reduction of budget deficits in many countries and the balancing of budgets in several others. None the less, budgetary deficits continued to be one of the main causes of inflationary pressure during 1947 in several countries. The situation was helped in most countries by the continuation of large import surpluses, which, however, necessitated more rapid expenditure of credits, and foreign exchange, and of gold reserves than had been anticipated. In countries which formerly received UNRRA assistance, imports dropped sharply but were replaced in several by post-UNRRA relief assistance and credits. In eastern European countries, the cessation of UNRRA imports was one of the most important inflationary factors in 1947.

Toward the end of 1947 a new situation began to emerge, the effects of which will not be felt fully until 1948. The exhaustion of dollar credits, relief assistance and the deterioration of gold and foreign exchange reserves of western European countries, may result in drastically reduced net import surpluses in 1948 in the absence of additional credits and relief assistance and

may thereby add to existing inflationary pressures. The cessation of UNRRA imports and the absence of credits in eastern European countries will also continue to exert a similar pressure. In addition, several countries may experience difficulties in further reducing existing budget deficits in the absence of more drastic monetary, tax and budget reform measures than have hitherto been undertaken.

In some countries in the latter part of 1947 the result of growing inflationary pressure was a demand for increased wages, as wages lagged behind prices; upward adjustments of wages were made in some of these countries late in 1947.

To ease the inflationary pressure generated by large requirements for reconstruction investments, some European countries have been considering a reduction in the present rate of investment and, therefore, of reconstruction.

Continued expansion of industrial and agricultural production in 1948 would do much to check a further upward movement of prices. As indicated in other sections of this report, however, the prospects for substantially increased production in 1948 are closely associated, in many countries of Europe, with the availability of increased imports and of dollar credits.

INTERNATIONAL TRADE AND THE BALANCE OF PAYMENTS

The impoverishment and dislocation of the economy of Europe resulting from the war has drastically reduced the ability of European countries to finance from exports and other means of payment the huge increases in their import requirements for reconstruction. Since the war a serious disequilibrium in the balance of international payments has existed, the current effects of which are reflected in the present "dollar crisis" and the longer term effects of which may be felt for many years.

The devastation of agriculture created abnormal demands for imports of food and agricultural supplies from outside of Europe. This even required food imports into European countries which normally had food surpluses for export to other European countries. Limited foreign exchange resources, external credits and relief assistance had to be devoted in large part to imports of the basic necessities of life for immediate consumption, thereby reducing imports of materials and equipment for reconstruction.

The devastation of industry and transport likewise resulted in abnormal import requirements of materials and equipment for industrial production and the reconstruction of transport facilities. At the same time, the necessity for maximum utilization of indigenous resources for domestic rehabilitation has restricted the volume of goods available for export. The destruction and dislocation of transport, and the needs of internal transport, made even limited movement of goods in external trade most difficult in the early post-liberation period.

Resources, other than merchandise exports, for financing imports were similarly reduced by the war: a substantial proportion of foreign assets was greatly reduced and their liquidity impaired, so that income from overseas investments shrank to a small proportion of the pre-war amount; the loss of commercial fleets drastically reduced income from shipping services; and income from the tourist trade became a negligible factor.

The pre-war pattern of trade was distorted by enemy occupation and virtual

cessation of trading by occupied countries with the rest of the world, the composition and direction of trade being dictated during the war by the enemy. During the war pre-war markets for European goods were lost. The disappearance of Germany as a source of supply and as a market after the war created new problems in post-war trade adjustments. European countries had to start anew to rebuild their trade.

The re-establishment of trade was handicapped by lack of free convertibility of most currencies, and by varying degrees of inflation in European countries; in several countries, instability of the national currency led to private hoarding, with the result that privately-owned foreign exchange has not been fully available to meet its share in financing the deficit in the balance of international payments.

European countries were faced with the necessity for controlling exchange movements and the flow of external trade in order to utilize effectively their limited export surpluses for importation of goods most urgently needed. War-time controls of external transactions were retained and in some instances tightened. Intra-European trade could develop only on a basis of strict bilateralism, since there was little scope for multilateral settlement.

With general shortages of supplies in Europe, imports from other continents, particularly from the United States, became increasingly important.

This, in brief, was the situation which confronted almost all European countries in varying degrees at the end of the war. The following sections describe the extent to which European countries have, since the end of the war, succeeded in restoring their foreign trade and in meeting the problem of disequilibrium in their balance of international payments.

RECOVERY OF INTERNATIONAL TRADE SINCE THE WAR

Many European countries have succeeded in restoring foreign trade to levels approaching, and, in several cases, exceeding pre-war levels. On the other hand, the recovery of trade has lagged in a number of countries. Recovery of trade has not been accompanied by the re-establishment of a reasonable equilibrium in the balance of international payments. The resumption of exports on a significant scale has been made possible by the recovery of industrial production described earlier. The latter, however, has in turn depended thus far, and will continue to depend for some time in significant part, upon increasing availabilities of imported supplies from within and, more particularly, from outside of Europe, a fact whose effect on the balance of payments position of European countries constitutes a critical problem facing these countries in 1948.

The recovery of foreign trade in Europe since the end of the war is shown in tables 73 and 74. Table 73 contains data on the volume of imports and exports for countries for which quantum indexes are available. Table 74 shows the value of imports and exports, in terms of local currency, for other countries for which volume indexes are lacking. The changes in value are not very illuminating, however, because of the changes in prices over the period considered. Consequently, in the following analysis, rough estimates of the volume (quantum) of imports and exports have been used. These estimates, derived by applying price indexes to the value figures, may tend, however, to overstate the volume of exports because of the crude method employed.

Table 73
INDEXES OF VOLUME OF IMPORTS AND EXPORTS OF CERTAIN EUROPEAN
COUNTRIES, 1945-47
1937 = 100 unless otherwise indicated^a

Year and month 1945	Bulgaria Imports	Finland Exports	France Imports	Hungary Exports	Norway Imports	Sweden ^b Imports	Switzerland Imports	United Kingdom Imports
July	..	..	..	..	72	8}	..	..
August	..	..	..	..	118	10}	..	..
September	27	..	32	17	85	18}	30	59
October	..	..	80	16	67	17}	48	41
November	..	..	86	2	43	26}	64	..
December	..	..	109	18	50	30}	89	50
1946	28	..	..	..	..	..	75	49
Monthly average	58	34	112	43	72	58	105	65
January	..	21	95	19	46	43}	80	88
February	..	21	106	25	35	50}	80	74
March	..	24	77	24	49	50}	107	60
April	..	26	124	42	12	9	98	64
May	..	28	117	40	56	57}	101	87
June	..	30	187	46	54	61}	104	65
July	..	32	132	42	63	68}	106	93
August	..	35	126	42	59	65}	100	103
September	79	37	88	46	84	50}	96	67
October	..	34	112	52	76	65}	114	92
November	..	33	87	66	103	68}	130	69
December	80	34	100	75	149	60}	136	98
1947	..	..	..	..	..	..	..	..
January	..	64	97	66	104	68}	120	103
February	..	65	112	84	101	70}	118	102
March	43	47	122	75	118	64}	142	89
April	..	41	120	92	124	72}	149	73
May	..	45	178	89	138	91}	154	91
June	..	47	132	92	134	106}	148	73
July	..	52	124	87	91	68}	153	123
August	..	54	103	78	81	74}	138	101
September	102	56	109	74	140	82}	139	84
October	..	57	107	89	108	82}	158	106
November	..	58	101	83	..	..	122	..
December	..	..	..	..	..	..	111	..

Source: Statistical Office of United Nations, *Monthly Bulletin of Statistics*.

... Not available.

^a Nil or less than half the final digits shown.

^b Bulgaria, 1939 = 100; France, Hungary, Switzerland, 1938 = 100; Sweden, 1936-1938 = 100.

^c Index of volume of Swedish exports not available.

^d United Kingdom import figures represent retained imports (total imports less re-exports).

Imports since the war

In the early post-liberation period, imports were restricted by the disruption of European inland transport, the total or partial inaccessibility of ports, and the continuation of war-time shortages of goods in exporting countries and of shipping space. The volume of goods imported into European countries, with but few exceptions, failed to reach half of the pre-war level¹ in the last half of 1945; in many countries, imports were below one-fourth of that level; in others, practically nil.

By the end of 1945, the volume of imports was about one-half of pre-war volume in Belgium, Netherlands, the United Kingdom, and Scandinavian countries (other than Finland); and somewhat above and somewhat below the pre-war level in France and in Switzerland, respectively. Imports into Austria and Italy were provided chiefly from military sources in order to prevent disease and unrest, while commercial imports were a fraction of pre-war imports—in the case of Austria, probably below ten per cent. Imports into Bulgaria and Hungary, also under Allied occupation, were at low levels. UNRRA imports into Czechoslovakia and Poland by the end of the year had not reached sizable proportions; however, they accounted for most of the imports of Poland, whose commercial imports were less than ten per cent of pre-war imports by that date; commercial imports into Czechoslovakia were less than twenty per cent of the pre-war level at the end of 1945. On the other hand, UNRRA imports into Greece and Yugoslavia, where commercial imports were practically non-existent, were on a considerable scale by that time and were supplemented, particularly in the case of Greece, by large relief imports from military sources. Total UNRRA imports into Greece at the end of 1945 were already at a rate considerably in excess of total pre-war imports of Greece.

During 1946, the volume of imports expanded rapidly, as larger amounts of supplies and shipping space, together with credits and relief assistance, became available. Import volume approached or exceeded pre-war volume in western European and Scandinavian countries, except in the United Kingdom, where it was about two-thirds and in Finland, one-third, of pre-war volume. The bulk of UNRRA supplies were imported during 1946 and represented one-half or more of total imports into Austria, Czechoslovakia; Greece, Italy, Poland, and Yugoslavia; commercial imports into several of these countries expanded considerably in 1946 but were still one-third of pre-war in Poland and not much above this level in Czechoslovakia and Italy.

During the first half of 1947, imports continued to rise steadily in most countries, as exports increased and credits were expended at a more rapid rate. By the middle of the year, imports had reached 120 to 150 per cent of pre-war levels in France, Netherlands, Norway, Sweden and Switzerland, and were approximately at pre-war levels in Belgium, Czechoslovakia and Denmark. Imports into the United Kingdom were kept at three-fourths of their pre-war volume under the programme of that country for limiting imports. Polish commercial imports increased to about forty per cent of the pre-war level in the first half of 1947, but the tapering off of UNRRA assistance caused total imports in this period to drop about a third below 1946. Italian imports in the first half of 1947 were more than double the previous year, owing chiefly to large unshipped balances of UNRRA supplies and unutilized credits available

¹ In this section, "pre-war" refers to the 1937 level, unless otherwise indicated.

Table 74
VALUE OF IMPORTS AND EXPORTS OF CERTAIN EUROPEAN COUNTRIES
Monthly average, 1937 and 1945-47

Year and Month	Austria Imports (Schillings)	Austria Exports (Schillings)	Belgium Imports (Francs)	Belgium Exports (Francs)	Czechoslovakia Imports (Korunas)	Czechoslovakia Exports (Korunas)	Denmark Imports (Kroner)	Denmark Exports (Kroner)	Italy ^a Imports (Lire)	Italy ^a Exports (Lire)	Netherlands Imports (Guldens)	Netherlands Exports (Guldens)	Sweden Imports (Kronor)	Sweden Exports (Kronor)
1937														
Monthly average .	121.1	101.4	2324	2126	915	998	137	128	1162	870	129	96	177	167
1945														
September . . . . .	..	..	1697	501	37	23	71	86	..	..	..	21	194	245
October . . . . .	..	..	1899	567	171	46	76	99	..	..	..	17	162	267
November . . . . .	..	..	2136	747	173	165	75	116	..	..	..	17	160	241
December . . . . .	..	..	2557	986	384	257	130	101	..	..	..	25	157	234
1946														
Monthly average .	20.9	18.3	4380	2471	859	1190	237	134	7624	5381	179	65	281	211
January	9.9	3.3	2671	1174	330	343	138	98	3385	751	18	18	219	199
February	11.9	3.4	2785	1259	273	386	144	93	5116	2803	25	25	189	165
March	10.1	3.6	2963	1870	536	589	184	90	6885	2775	144	44	226	167
April	16.7	9.4	3143	1666	571	709	177	108	7132	3927	39	41	267	180
May	18.5	22.0	3780	2286	724	928	194	93	7351	4625	39	39	239	237
June	18.0	17.2	4132	2241	764	926	192	128	7592	4340	136	39	283	221
July	30.1	30.6	4017	2891	758	1380	260	138	7396	5372	210	64	300	238
August	34.0	13.9	5360	2244	900	1235	315	149	9593	7400	207	60	290	193
September	30.3	27.8	4598	3004	978	1450	296	157	9316	5731	199	92	296	234
October	19.3	27.0	6429	3714	1267	1811	333	186	8895	6944	211	110	327	238
November	24.2	30.9	6603	3294	1349	1869	230	184	7951	9965	239	126	345	220
December	27.9	30.2	6081	3971	1788	2670	323	194	10872	9946	223	128	331	237
1947														
January	39.9	23.6	6040	2673	1529	1938	201	171	19014 ^b	13183 ^b	201	108	371	222
February	42.8	27.9	5257	4308	1512	1708	168	104	12753	12753	313	97	334	119
March	72.9	45.5	6040	4831	1965	1814	158	115	40241	15761	256	138	279	139
April	88.2	46.0	6383	5340	2262	2452	219	196	38773	14360	339	143	356	220
May	64.2	64.2	6246	5430	2853	2580	230	236	33385	14474	356	134	460	251
June	74.7	74.7	6368	5787	2693	2479	367	190	39076	13958	470	121	467	295
July	112.3	71.7	6139	5775	2567	2371	296	213	45468	13912	425	141	520	318
August	68.6	68.6	7190	3890	2537	1916	260	163	33507	19364	337	163	496	318
September	123.7	75.5	6865	6145	2466	2305	291	184	29297	19785	335	160	549	305
October	135.8	102.9	8741	6324	2523	2669	302	220	..	..	381	217	522	369
November	128.0	116.7	8845	5453	2452	2699	241	255	..	..	409	202	431	311

Source: Statistical Office of the United Nations, *Monthly Bulletin of Statistics*.

^a Imports in 1946.

^b For January-July 1947, values reported in foreign currency are converted to lire at 125 per cent above the official rate of exchange; for August and September values are reported on the basis of the new official exchange rate.

during this period and, to a lesser extent, to increased commercial trade. Austrian commercial imports also increased rapidly but by June 1947 were about fifty per cent of pre-war imports, as was also the case in Finland and Hungary.

Exports since the war

A number of European countries—particularly neutral countries which emerged from the war with high production levels and accumulated surpluses available for export, and non-occupied countries with relatively unimpaired productive facilities—increased exports rapidly to volumes which, by the middle of 1947, compared favourably with pre-war volume. The volume of exports of occupied countries fell far short of the pre-war position by the summer of 1947 despite the substantial recovery of exports from the extremely low levels prevailing at the end of the war.

At the end of the war, exports of most European countries were virtually non-existent. Only in the United Kingdom, Switzerland and Sweden were exports substantial although far below pre-war levels. During the last half of 1945, the development of export trade was extremely limited. By the end of the year, the volume of exports was below twenty per cent of pre-war volume in all European countries, other than those mentioned above, and in Scandinavian countries (other than Finland), where they were somewhat above this level; in several countries, exports were below ten per cent of pre-war exports.

The recovery of export trade during 1946, however, was rapid. Exports for 1946 were as high in Switzerland as pre-war exports, and about ninety per cent of pre-war levels in the United Kingdom and Sweden. Danish and Norwegian exports were somewhat above one-half of the pre-war level. The majority of European countries exported about thirty-five to fifty per cent of their pre-war volume; Polish exports were somewhat below this level. On the other hand, Austria, Hungary and the Netherlands lagged considerably, the exports of the first two of these countries being less than fifteen per cent, and the last about one-fourth of pre-war levels.

The monthly volume of exports rose rapidly during 1946 so that, at the end of the year, it was far above that of the early part of 1946. By the end of 1946, exports of the United Kingdom, Switzerland and Sweden were approximately equal to pre-war levels; and exports of Belgium, France, Czechoslovakia, Denmark and Norway were between two-thirds and three-fourths of pre-war levels. The volume of Italian exports was somewhat below the level of the latter countries, and that of the Netherlands not far from one-half of the pre-war position; Bulgarian, Finnish, Hungarian, and Polish exports were considerably below this level, and Austria continued to lag with exports of less than twenty per cent of pre-war volume.

Further recovery of exports during the first half of 1947 was rather uneven. Substantial gains were registered by many countries, but there was a tendency towards a declining rate of increase in most countries and towards considerable fluctuation from month to month. United Kingdom exports dropped in the first half of 1947 to ninety per cent of pre-war exports as compared with ninety-eight per cent in the last quarter of 1946—mainly because of the fuel crisis. Swiss exports climbed to 126 per cent of pre-war levels, and Swedish exports, after declining somewhat early in 1947, exceeded pre-war volume substantially;

only somewhat below pre-war position, were Belgium, Norway and France. Danish exports were about three-fourths of the pre-war amount by the middle of the year, showing relatively little change. Exports of Czechoslovakia appeared to be above two-thirds of pre-war by the middle of 1947. The volume of exports from the Netherlands had increased by the middle of 1947, to somewhat over half of the pre-war volume. Polish and Finnish exports, which were increasing, were about forty per cent of pre-war rates by that date in the former country, and over fifty per cent in the latter. A spurt in Austrian exports during the first half of 1947 brought exports of that country to about one-third of pre-war exports by the middle of the year, followed by a decline in the summer months. No marked changes occurred in the volume of exports of Bulgaria and Hungary.

Post-war trends in the composition and direction of trade

Of the total pre-war imports of the highly industrialized countries of Europe, foodstuffs represented over a fourth, raw materials and semi-manufactured articles nearly a half, and manufactured articles less than a fourth.¹ Their exports of foodstuffs were only ten per cent of the total; of raw materials and semi-manufactured goods only one-fourth; but of manufactured goods, two-thirds. Thus, the industrialized countries of Europe were primarily importers of foodstuffs and raw materials and exporters of manufactured goods. In 1935, these countries (excluding the United Kingdom) obtained fifty-eight per cent of their imports from Europe and disposed of sixty-nine per cent of their exports within Europe. The industrialized countries traded chiefly with each other and to a considerably lesser extent with the agricultural countries of Europe. Industrialized countries exchanged manufactured goods, and also coal, iron ore, potash, and some foodstuffs. They exported manufactured goods to agricultural countries of Europe and imported primary products from them.

Of the imports of the agricultural countries of Europe in 1937, foodstuffs represented fourteen per cent, raw materials thirty-seven per cent and manufactured goods forty-nine per cent. These countries were, on the other hand, large exporters of foodstuffs and raw materials, which accounted for forty-five and thirty-nine per cent, respectively, of their exports; finished goods represented only sixteen per cent. The trade of agricultural countries was largely intra-European and they were dependent on the industrialized countries of Europe for imports of needed manufactured goods.

Composition of trade. In view of the complementary character of the trade of European countries, the post-war shortages of foodstuffs and raw materials, including fuel were bound to have important effects on the composition and direction of trade. Some of the more important changes in the composition of post-war trade are indicated below.

The shortage of basic foodstuffs meant that insignificant amounts of food were available to industrialized countries from the normally food-surplus exporting countries of eastern Europe. These latter countries were themselves forced to import food from outside of Europe. About forty per cent of UNRRA imports into Poland, and only a somewhat smaller proportion of UNRRA imports into Yugoslavia, consisted of foodstuffs. UNRRA food imports into other countries, which were normally importers of food—such as Austria, Greece and Italy—represented an even more significant share of total imports;

¹ See: League of Nations, *Europe's Trade*, 1941, page 12.

food imports represented more than three-fourths of total imports for Austria, almost sixty per cent for Greece and only somewhat less for Italy. Faced with limited foreign exchange resources, most European countries were forced to import foodstuffs in relatively large amounts. They represent higher than pre-war percentages of total imports.

The shortage of coal in the United Kingdom and Germany virtually eliminated coal exports from the former, and drastically reduced exports from the latter country. Polish exports of Silesian coal made up for only part of this loss. As a consequence, imports of coal from outside Europe reached significant proportions of total imports. UNRRA imports of coal into Italy and to a lesser extent into Greece represented an important part of total UNRRA imports into these countries. Western European countries were forced to expend dollar resources for high cost imports of coal from the United States. Urgent needs for transport equipment required the importation of locomotives, freight cars and vans and lorries from outside of Europe. In countries assisted by UNRRA in which transport was heavily devastated, the largest part of UNRRA industrial rehabilitation imports was equipment for road and, to a lesser extent, for rail transport. French imports of transport equipment were a significant part of total imports into that country.

The net effect of these and other post-war conditions in many industrialized countries has been to increase the proportion of foodstuffs and manufactured goods in total post-war imports, and to decrease the proportion of raw materials. The post-war composition of exports of these countries likewise reflects a lesser proportion than before the war of raw materials and semi-manufactured goods and a higher percentage of manufactured goods.

In eastern European countries, certain changes in the composition of trade, particularly of exports, have resulted from war-time development of industry. A notable example is the export of crude petroleum and products from Hungary. Such exports were practically non-existent before the war but in 1946 accounted for almost one-half of Hungarian exports. Boundary changes of Poland involving the acquisition of German coal mines in Silesia have made coal the dominant factor in Polish exports. In Finland, metal and mineral products are playing a far more significant role in exports, particularly in reparation deliveries.

In general, the composition of intra-European trade was of a limited character in the early post-war liberation period but has since shown a tendency towards diversification, as production of additional goods has been resumed or expanded. With limited supplies of most kinds of goods and large domestic demands for them, European countries have tended to export first limited categories of goods of which there were surpluses, and then such other goods as could be exchanged directly for goods of higher priority for domestic needs or for hard currency. The continuing critical shortages in the supplies of foodstuffs, raw materials and equipment in Europe affect greatly the composition of trade.

Form and direction of trade. The pattern of European trade differs greatly from that before the war and has been subject to constant change. In reviewing these changes, it is necessary to distinguish between intra-European trade on the one hand, which is almost entirely based on bilateral transactions between the two countries involved, and excludes triangular or multilateral settlement, and European trade with the rest of the world, which has depended in large part upon external assistance.

The direction of intra-European trade has been largely determined by the following factors: (1) the existence of import and export controls which encourage the export of goods of lesser priority for domestic needs and permit, for the most part, the import only of goods of higher priority; (2) the need for obtaining hard currency for exports in order to finance imports of increasing quantities of many non-European products; (3) the virtual disappearance of Germany in intra-European trade; and (4) the loss by many European countries of pre-war markets outside of Europe.

Two countries of Europe—Sweden and Switzerland—emerged at the end of the war with substantial export surpluses and deferred import needs, and in addition, with convertible currencies. Continental European countries, devastated by the war, looked to these countries as an important market for their exports, which could in return provide needed imports and hard currency. As a consequence, significantly higher proportions than before the war of exports from western European countries, and, particularly from eastern European countries, were directed to these countries. The percentage of total exports from Belgium, France, Netherlands, and Denmark to Sweden and Switzerland in 1946 was twice that of pre-war; of Poland, Czechoslovakia and Hungary, three to four times. The proportion of total exports of Sweden and Switzerland to these same countries generally increased, but to a lesser extent.

The disappearance of Germany as a source of supplies and market for exports since the war has had far-reaching effects on the intra-European trade. Before the war, Germany was one of the chief trading partners of the western European and of Scandinavian countries. Germany obtained over one-third of its imports from and disposed of about one-half of its exports in trade to these countries. Although Germany's trade with Balkan and Danubian countries was only one-sixth of its total trade in 1938, it represented a third of the trade of the agricultural countries in eastern and south-eastern Europe. Since the end of the war, German trade with European countries has been of negligible proportions, as shown in the following table.

Table 75

PERCENTAGE SHARE OF GERMANY IN THE EXPORTS OF SELECTED EUROPEAN COUNTRIES, 1938 AND 1946

Country	1938	1946
	(Per cent)	
Belgium-Luxembourg	12.2	0.5
Bulgaria	58.9	0.2
Czechoslovakia	14.2 ^a	8.1
Denmark	19.7	3.2 ^b
France	6.0	2.5
Hungary	27.7	—
Italy	18.9	1.1
Netherlands	14.9	6.7
Poland	24.1	5.8
Sweden	18.1	0.9
Switzerland	15.7	0.3
United Kingdom	5.0	2.5

Source: 1938 data from League of Nations, *International Trade Statistics*, 1938; 1946 data from various national publications.

— Less than half the final digit shown.

^a January–September.

^b January–June 1947.

Western European and Scandinavian countries have, in general, increased the proportion of their total trade with one another as compared with pre-war proportions. Belgium-Luxembourg, France, and the Netherlands carried on considerably higher percentages of their total trade with one another, with Switzerland and with Scandinavian countries. The latter countries likewise increased the proportion of their trade among themselves and with Belgium, France, Netherlands and Switzerland; Denmark, which had to compensate for the drop in its exports to the United Kingdom as well as to Germany, also increased the percentage of its total exports to Poland, as compared with the pre-war position. In the case of Belgium and Switzerland, the proportion of total exports directed to the United States increased considerably. Several of these countries had also to compensate for losses of markets outside of Europe.

Eastern and south-eastern European countries, as well as Austria and Italy, have been particularly affected by the disappearance of the German market, because of the special importance of Germany in their pre-war trade. The post-war trade of these countries has been subject to constant change.

The share of the USSR in the trade of most of the countries of eastern and south-eastern Europe before the war was less than one per cent. Since the war, there has been a substantial increase in trade between these countries and the USSR. Immediately after liberation, when these countries were still cut off from western Europe, the share of the USSR was very substantial. There has been a progressive decline, however, during the post-liberation period in the share of the USSR, as the volume of trade of these countries expanded and as trade channels with the rest of Europe were restored. Thus exports of Czechoslovakia to the USSR in 1945 and 1946 were about thirteen per cent of its total, but declined in the first half of 1947 to five per cent; similarly, imports from the USSR, which, in 1945, represented one-third of the total, declined to about ten per cent in 1946 and to less than five per cent in the first half of 1947. Polish trade with the USSR, which during 1945 was ninety per cent of the total, excluding UNRRA imports, dropped in 1946 to less than one-half for exports, and less than three-fourths for imports, and further declined in the first five months of 1947 to less than one-third for exports and less than one-half for imports. About one-third of Hungary's exports in 1946 was directed to the USSR, but only thirteen per cent in the first half of 1947. Twenty per cent of the trade of Finland in 1946 was with the USSR, as compared with three per cent in the pre-war period.

In the summer of 1947, however, a series of new trade agreements was concluded between the USSR and eastern European countries. The dollar value of the trade covered by these agreements (imports plus exports) has been estimated as follows: with Czechoslovakia, an average of \$110 million annually for five years¹; with Hungary, \$35 million annually²; with Roumania, \$50 million; with Bulgaria, \$43 million annually for 1947 and 1948³; and with Yugoslavia, an agreement of unreported amount.²

A parallel development has been the expansion of trading relations among eastern and south-eastern European countries, which prior to the war were of very limited proportions. The importance of Czechoslovakia's engineering in-

¹ Statement of Evzen Locbl, of the Ministry of Foreign Trade, *The New York Times*, 5 December 1947.

² *The New Statesman and Nation*, 8 November 1947.

³ Statement of Vice-Premier Kostov, reported in *The New York Times*, 14 July 1947.

dustry, particularly for meeting the needs of these countries for steel, machinery, electrical and other engineering products, is reflected in the series of five-year agreements recently negotiated by that country with other countries in eastern Europe. The dollar value of the trade regulated by these agreements is estimated as follows: Poland, \$60 million to \$65 million annually; Yugoslavia, \$30 million annually; Bulgaria, \$14 million annually.¹ Approximately seventeen per cent of Czechoslovak trade is estimated to be guaranteed by these agreements.² Finally, a four-year agreement for trade, valued at \$125 million, has been concluded between Hungary and Yugoslavia.³

The decline in the proportion of trade of western European countries with other continents reflects the loss by several of these countries of pre-war markets in Asia and Latin America. Thus, the share of Asia in the trade of the United Kingdom and the Netherlands is smaller than before the war. Likewise, Latin American countries occupy less than pre-war percentages in the trade of the United Kingdom and France. On the other hand, Asia and Latin America during the early part of 1947 absorbed a considerably higher proportion of the reduced Italian exports than before the war.

The most important development in the trade of European countries, particularly of western Europe, with other countries, has been the high level and the increasing share of United States goods in the imports of these countries.

Table 76

EUROPE'S TRADE WITH THE UNITED STATES, 1938 AND 1946^a

Country	Imports		Exports	
	1938	1946	1938	1946
	Percentage of total trade of specified countries with United States			
Austria	8	5 ^b	2	7
Belgium-Luxembourg ...	11	18	7	13
Bulgaria	3	4	3	5
Czechoslovakia	14	6	14	7
Denmark	8	9	1	3 ^c
Finland	9	20	9	7
France	11	31	6	6
Greece	7	23	17	55
Hungary	5	19	2	2
Italy	12	55 ^b	8	18 ^d
Netherlands	11	25	3	5
Norway	11	22	8	5
Poland	12	1	5	—
Sweden	16	24	9	7
Switzerland	8	16	7	17
United Kingdom	13	17	5	4

Source: 1938 data from League of Nations, *International Trade Statistics*, 1938; 1946 data from various national publications.

— Nil or less than half the final digit shown.

^a Excludes imports under free relief assistance.

^b Estimated free relief assistance excluded.

^c January–June 1947.

^d January–March 1947.

¹ *The New Statesman and Nation*, 8 November 1947.

² Statement of Evzen Loebel, of the Ministry of Foreign Trade, *The New York Times*, 5 December 1947.

³ *Christian Science Monitor*, 15 August 1947.

The following data on the trade of European countries with the United States reflect the importance of the United States as a source of needed imports and its lesser importance in their export trade. The resulting import surpluses have had to be financed from foreign exchange, gold reserves, and dollar credits.

In addition to imports from the United States through normal trading transactions, from sixty-five to seventy-five per cent of UNRRA imports of \$3,600 million has also come from the United States. During the latter half of 1947, a substantial part of the United States post-UNRRA relief programme of \$332 million represented goods imported from the United States into Austria, Greece and Italy, while United States goods also went to Turkey and Greece as a result of the \$400 million United States aid programme to these countries.

During the third quarter of 1947, the dollar value of imports from the United States by countries participating in the Committee of European Economic Co-operation was more than 300 per cent above the 1936 to 1938 level; less than one-half of this increase is estimated to have resulted from higher prices. At the same time, exports from these countries to the United States rose about one-third in value above the pre-war level while the volume of exports was at least one-third less than before the war.¹ The present distribution of intra-European trade appears still to be of a transitional character and it is difficult to foresee the pattern which may finally emerge. The post-war expansion of intra-European trade has been achieved through an increasing series of bilateral agreements between various European countries, excluding with but few exceptions, provision for triangular or multilateral settlement. While trading arrangements of this type are not new to Europe, a large part of intra-European trade having been carried on under such agreements prior to the war, the role of bilateral trade agreements in Europe has greatly increased. Under conditions where essential domestic supplies have had to be protected against possible export or where their export is permitted only in return for urgently needed imports, and where currencies are not convertible, bilateralism has rendered it possible for European countries to resume trading relations immediately.

The bilateral agreements concluded since the end of the war have been monetary (or payment) and trade agreements or combinations of both. Payment agreements generally provided for the canalization of payments through the central banks of the countries concerned, which accorded one another reciprocal overdraft facilities, usually up to a limit fixed in advance. Although the credit arrangements were usually explicitly reciprocal, there has been a natural tendency of the countries economically exhausted by the war to become debtors, while countries such as Sweden and Switzerland supplied the credit. The transactions regulated by these agreements have been subject to bilateral settlement in all but exceptional cases.

Trade agreements proper have been concluded either separately or in connexion with payments agreements. Such trade agreements have involved principally an undertaking on the part of each of the two countries concerned to grant licences for export to its partner up to an indicated total value or to a specified quantity of certain articles.

The character of the agreements has changed since the first were negotiated. While the original agreements covered periods of six months, and in

¹ Federal Reserve Bank of New York, *Monthly Review of Credit and Business Conditions*, December 1947.

some cases one year, later agreements have tended to cover periods of one to two years, and to include an increasing variety and volume of commodities. Recently, there has been evidence of a tendency to broaden the scope of such agreements to include third countries, such as the triangular agreements among Austria, Switzerland and Yugoslavia of 13 March 1947, and among France, Belgium and Luxembourg of 10 July 1947.

In order to improve the flexibility and inclusiveness of the present system of payment agreements, a number of western European countries reached an agreement late in 1947 under which the Bank for International Settlements in Basle, Switzerland, will serve as a central clearing house for balances resulting from bilateral trade. Details concerning this arrangement have not yet been made available.

THE BALANCE OF INTERNATIONAL PAYMENTS SINCE THE END OF THE WAR

Before the war, European countries normally financed merchandise imports almost entirely or in large part through merchandise exports, and the remainder from shipping services, income from oversea investments, emigrant remittances and the tourist trade. Since the end of the war, merchandise exports have been inadequate as a means of financing the normal proportion of needed imports, and import surpluses have been financed by loans, credits and relief assistance. The gap between exports and imports has been further aggravated by the lack of free convertibility of currency, which rendered it impossible to obtain a certain proportion of highly essential imports in return for exports to "soft" currency areas. Income from shipping, oversea investments and other sources referred to above was severely reduced and could not contribute its normal share to closing the gap between merchandise imports and exports in these countries, where such income had been an important factor. In the countries participating in the Committee of European Economic Co-operation, earnings from shipping and investments covered nearly one-fourth the cost of their imports. The war effort required a considerable liquidation of oversea investment; shipping losses during the war severely reduced earnings from this source; and post-war tourist expenditures, important in certain of these countries, were reduced to negligible proportions. At the same time, expenditures for shipping services and other payments abroad increased considerably in the case of several of these countries, so that net income from sources other than merchandise exports was drastically reduced.

The balance of payments position of European countries may best be described by grouping countries with roughly similar post-war situations.

One group of countries—Czechoslovakia, Finland, Hungary and Poland—has been forced to balance imports and exports at levels considerably below those of the pre-war period. During 1946, Czechoslovakia and Poland were able to meet a substantial part of their import requirements from UNRRA assistance; in the first half of 1947, imports from this source were sharply curtailed and during the last half became a negligible factor. Czechoslovakia, Poland and Hungary do not have any significant amount of income from sources other than merchandise exports and, in the absence of additional relief assistance or credits, can achieve a balance in their international payments at higher than present levels only by increasing exports, which are still far below pre-war levels in the latter two countries; imports and exports have been balanced at a somewhat higher level in Czechoslovakia.

A second group of countries—Austria, Greece and Italy—has been able to meet large deficits in their current balance of payments only through relief imports—during 1946, from UNRRA imports plus limited credits. Exports of all three countries are far below pre-war levels, lagging particularly in Austria. In addition, Greece and Italy suffered losses in income from shipping services, which were an important source, before the war, for financing the excess of merchandise imports over merchandise exports. During 1947, the situation was relatively unchanged; despite increasing exports, the large deficits of these countries continued to be financed from free relief assistance—balances of UNRRA shipments and post-war UNRRA relief—and additional credits and restitutions.

Foreign credits, chiefly from the United States and, in some cases, expenditure of gold and foreign exchange reserves, have financed the deficits in the balance of payments of France, the Netherlands and the United Kingdom. Imports during the first half of 1947 into France and the Netherlands were considerably above pre-war levels. While merchandise exports of France were approximately at their pre-war volume, net invisible income, which prior to the war was sufficient to finance about two-fifths of merchandise imports, was replaced by a deficit; in 1936 to 1938, there was a net income from these sources of \$387 million annually, but in 1946, a deficit of almost \$300 million and in 1947 an estimated deficit of \$329 million. The Netherlands net income from these sources, which amounted to almost \$330 million annually in 1936 to 1938 and covered about one-fourth of the import surplus, dropped to \$113 million in 1946 and is estimated at \$29 million in 1947; the decline has been due primarily to the increases of payments abroad. At the same time, merchandise exports during the first half of 1947 were still only somewhat over half of their pre-war volume. In the case of the United Kingdom, income from foreign investments, shipping and other sources dropped from £333 million in 1938 to £235 million in 1946. In France, the deficit in 1946 was met from credits, chiefly from the United States, and to the extent of forty per cent, from gold holdings of the Bank of France. The Netherlands financed its deficit from foreign credits; the United Kingdom limited its imports to about seventy-five per cent of pre-war totals, and financed its deficit from foreign credits.

In other countries—Norway and Sweden—import surpluses have been financed chiefly by expenditure of gold and foreign exchange holdings. Norway's net income from invisible sources, which financed before the war about one-third of its merchandise imports, shrank from about \$400 million to little more than one-fourth of this amount in 1946.

A more favourable balance of payments position exists in Belgium and Switzerland. The last mentioned country has been able to finance its import surplus from net income from tourists and financial services. Belgium has been able to meet its import surplus, which has declined as merchandise exports approached pre-war volume, from foreign currency received for goods and services provided to Allied forces and from oversea income and liquidation of investments abroad.

From the above review, it appears that the gap between imports and exports has been financed in varying degrees from the following sources: (1) UNRRA and post-UNRRA relief imports, (2) foreign credits, chiefly from the United States Government, and (3) reduction in gold and foreign exchange holdings in countries in which substantial reserves still existed after the end of the war.

The gradual exhaustion of these sources occurring simultaneously with an increase in the deficits on current account during the latter part of 1947 resulted in the so-called "dollar crisis."

THE "DOLLAR CRISIS" AND PROSPECTS FOR 1948

The dollar crisis facing Europe in 1948 originated in the devastation of industry and agriculture and the general dislocation of the European economy caused by the war. The import requirements of the reconstruction period can be met in significant part from only one source: the Western Hemisphere, and particularly from the United States. Bilateral trade within Europe does not produce dollars, and the amount of European trade which has earned dollars, or currency freely convertible into dollars has been totally inadequate to finance the volume of imports required from the United States or other dollar areas. Imports from dollar areas have thus had to be financed in large part by dollar credits, relief assistance and expenditure of foreign exchange and gold reserves.

The question¹ of free transferability of sterling has special significance in this situation. Under the financial agreement of 6 December 1945 between the United Kingdom and the United States, whereby a credit of \$3,750 million was extended by the United States it was stipulated among other things that the so-called "sterling area dollar pool" was to be abolished not later than one year after the effective date of the agreement, implying that each member of the area would be able to dispose freely of its current receipts for expenditures anywhere—that is, the proceeds of currently earned sterling should be made freely convertible within one year. In fulfilment of this obligation, the United Kingdom negotiated new agreements with a number of countries, including Argentina, Brazil, Canada, and the Belgian, Netherlands and Portuguese monetary areas. By 15 July 1947, the United Kingdom had extended free transferability of sterling required for payment of current transactions and for the acceptance by these countries of sterling from third countries, to all countries, except fourteen. The rising deficit in the United Kingdom balance of payments (see below), combined with pressure from countries demanding maximum conversion of sterling into dollars as the dollar shortage developed, forced the United Kingdom to accelerate its drawings on the United States loan, and on 21 August 1947 to abandon free convertibility. Freedom of transferability within the sterling area and between American Account¹ countries, which had been established before 1947, remained. In addition, most countries with which agreements had been negotiated, prior to the lapse of convertibility, retained transferability of sterling among themselves. Other countries, however, could not transfer sterling to American Account countries, and convertibility into United States dollars has been limited to sterling earned by countries within this group. Payment agreements have been negotiated by the United Kingdom since August 1947, and on 25 November the Chancellor of the Exchequer stated that the sterling balances of a number of countries had been covered either in terms of gold or by a reciprocal exchange guarantee.

Assistance to Europe in the form of loans and grants extended by the United

¹ "American Account" countries are those whose current sterling earnings may be changed into United States dollars on demand without scrutiny, whether they be requested for current transactions or not.

States is shown in table 77; such assistance to the countries specified amounted to more than \$8,000 million since the end of the war. In addition, about \$2,000 million of UNRRA relief assistance was provided by United States funds.¹ In addition, substantial dollar credits have been extended by other countries of the Western Hemisphere. Approximately \$540 million has been made available in dollars to European countries by the International Bank and the International Monetary Fund.

Table 77

POST-WAR DOLLAR CREDITS, LOANS AND GRANTS BY THE UNITED STATES TO EUROPEAN COUNTRIES ON 15 August 1947

	Post- UNRRA relief ^a	Lend-Lease and surplus property ^b	Export- Import Bank (Millions of U.S. dollars)	Treasury and private credits	Total
Austria	49	10	13	—	72
Belgium	—	105	100	—	205
Czechoslovakia ...	—	50	22	—	72
Denmark	—	—	20	—	20
Finland	—	25	80	—	105
France	—	720	1,200	—	1,920
Greece	16	—	25	300	341
Hungary	—	30	—	—	30
Italy	35	160	130	—	325
Netherlands	—	93	300	20	413
Norway	—	10	50	10	70
Poland	—	50	40	—	90
United Kingdom..	—	650	—	3,750	4,400

Source: *Report of CEEC*, volume II, p. 12; post-UNRRA relief from statement of United States representative to the Second Committee of the General Assembly, 27 October 1947. United Nations document E/576.

— Nil

^a Already shipped of total of \$332 million.

^b Including lend-lease pipeline.

During 1947, UNRRA imports tapered off and later in the year virtually ceased. Post-UNRRA relief extended to several countries which formerly received UNRRA assistance was on a reduced scale. As the volume of needed imports increased, and as the price of imported goods continued to rise, dollar credits and, in certain countries, limited foreign exchange and gold holdings were expended at a rate faster than was originally anticipated. The situation was intensified by the poor harvests in 1947 in many western European countries.

The situation in the fall of 1947

While complete data are not available as to unutilized balances of dollar credits previously granted, the situation in various European countries in the latter part of 1947 may be summarized as follows.

¹ See table 56 in the first section of this chapter for distribution of such assistance among European countries.

In the United Kingdom the adverse balance of payments in 1946, which amounted to \$1,600 million, rose during the first half of 1947 to an annual rate of \$2,800 million. However, the dollar deficit, which was under \$1,400 million in 1946, increased to an annual rate of \$3,200 million in the first half of 1947. Of the \$3,750 million United States credit made available in July 1946 and intended to last until 1949 or 1950, only \$400 million was left in September 1947. Britain's dollar reserves in the fall of 1947 consisted of the remaining United States credit, \$500 million remaining of the Canadian credit, and \$2,400 million in gold and dollar reserves. The latter are reserves of the whole sterling area, and are considered by the British Government as none too adequate in view of the sterling balances of \$14,500 million outstanding against the United Kingdom. During the first few months of 1947, the import surplus was considerably greater than in 1946, but has since declined somewhat.

Post-war credits extended to France by the United States, since the end of the war, totalling about \$2,000 million were exhausted by the latter part of 1947, except for \$200 million; only \$70 million remained out of the \$242 million Canadian credit, and a credit received from the United Kingdom had been completely exhausted. The gold and hard currency holdings of France, which immediately after liberation stood at \$2,600 million, were reduced by the end of 1946 to \$1,000 million. By September 1947, gold holdings, which at the end of 1946 were \$796 million, had been reduced to \$444 million. Data are not available as to the unutilized balance of the loan of \$250 million received by France from the International Bank for Reconstruction and Development in the middle of 1947. During December 1947, a special stop-gap aid programme by the United States was approved, under which France will receive further assistance during the early part of 1948.

Data are not available for the Netherlands on the amount of dollar credits, totalling over \$600 million, which were still unexpended in the fall of 1947. The gap between imports and exports during 1947 continued to be considerable, as exports remained far below pre-war levels. Official gold holdings of the Bank of the Netherlands, and of other sources, declined from \$416 million at the beginning of 1946 to about \$200 million in the summer of 1947.

In Norway and Sweden, the import surplus from dollar areas continued to be financed from capital resources, with the result that official foreign exchange and gold holdings declined from the beginning of 1947 to the middle of 1947: in Norway, from \$245 to \$163 million and in Sweden from \$564 to \$241 million. Early in 1947, severe regulations on imports from dollar areas were reimposed or tightened in these countries to meet the drain on their dollar resources.

At the beginning of 1947, the Italian Government had a substantial accumulation of resources for meeting the import surplus in 1947, chiefly from the UNRRA deliveries to be made in 1947, payment for military supplies due from the United States, and reduction of foreign balances. During the latter part of 1947, additional assistance became available from several sources: post-UNRRA relief from the United States; the waiver by the United States of sizable claims arising out of the war; arrangements for return of blocked and vested property totalling \$60 million; transfer to Italy of twenty-eight ships to replace ships seized by the United States during the war; extension of credits totalling \$23 million out of \$100 million ear-marked for Italy by the Export-Import Bank in January 1947, and the return of \$25 million in gold

found in northern Italy. Italy was included in the stop-gap aid programme of the United States, enacted in December 1947.

Austria has also been included in this programme. During the first half of 1947, Austria had available to meet its import needs \$31.4 million of UNRRA deliveries, and a \$40 million combined credit and grant from the United Kingdom, plus certain other smaller credits. The bulk of assistance in the last half of 1947 came from Austria's share in post-UNRRA relief. Commercial trade remained at levels far below those of the pre-war period.

At the end of 1946 Greece had available the following resources to finance its future import surplus: \$17.4 million of gold and foreign exchange,¹ less than half of the credit of \$25 million from the Export-Import Bank, and about \$11.4 million of remaining UNRRA deliveries. During the latter half of 1947, imports became available under the \$300 million ear-marked in the Greek-Turkish aid programme of the United States, and Greek share of the \$332 million post-UNRRA relief programme of the United States.

With the cessation of UNRRA imports and with negligible exports to dollar areas, Poland was left, in the fall of 1947, with virtually no dollar resources. Official foreign exchange and gold holdings amounted to less than \$10 million in the summer of 1947. A loan application to the International Bank was still under consideration late in 1947.

Czechoslovakia was also affected by discontinuance of UNRRA imports, but this loss was offset to some extent by the considerable recovery of its export trade. Only a small part of this trade, however, earned dollars. Official foreign exchange and gold holdings declined from \$127 million in January 1947 to \$97 million in September. A loan application to the International Bank was still pending in December 1947.

While little information is available on the foreign trade and balance of payments of Yugoslavia, it appears that the dollar earnings of that country are negligible.

Prospective dollar deficits in 1948

The dollar deficits of certain European countries in 1948 have been estimated by the Committee of European Economic Co-operation. These estimates, together with estimates for 1947 submitted to the United Nations,² both by countries participating in the CEEC and other European countries, are shown in table 78 below. In the case of the latter countries, similar estimates for 1948 are not available. The estimates for 1948 for countries participating in the Committee of European Economic Co-operation are based on the assumption that imports will be sufficient for a productive effort which would (a) restore agricultural production to the pre-war level, and expand mining and manufacturing production well beyond the levels prevailing in 1938, and (b) reduce the dollar deficit as quickly as possible so that, by the end of 1951, the deficit would be of dimensions which would be manageable without special aid. It is foreseen that the deficits in 1949 and 1950 will be large, but declining.

¹ Not including the £25 million to be maintained as a reserve for currency in circulation under the Anglo-Greek Financial Agreement of January 1946.

² Submitted prior to September 1947 and in several cases considerably earlier.

Table 78

**ESTIMATED DEFICITS ON CURRENT ACCOUNT OF CERTAIN EUROPEAN COUNTRIES^a
AND OF WESTERN GERMANY, 1947 AND 1948**

	Deficit with the American continent 1948 (CEEC report) ^b (Millions of U.S. dollars)	Deficit of U.S. dollars 1947 (UN report) ^c
<i>Countries Participating in CEEC:</i>		
Austria .....	..	247
Belgium	320	259 ^d
Denmark	210	78
France	1,760	1,250
Germany—Bi-Zone	1,150	..
French Zone	120	..
Greece	510	298
Italy	930	742
Netherlands	630	515
Norway	50	142
Sweden	150	..
United Kingdom	2,630	1,760
<i>Other European countries:</i>		
Albania		32
Czechoslovakia		276 ^e
Finland		100 ^f
Hungary		72
Poland		477 ^g
Yugoslavia		376 ^g

.. Not available.

^a Excluding dependent territories.

^b Source: *Report of Committee of European Economic Co-operation*, vol. 1, page 53.

^c Source: United Nations document E/576.

^d Includes Luxembourg; includes certain amounts of other so-called "hard" currencies.

^e Including sterling.

^f "Hard" currencies.

^g Total deficit, without regard to currency composition; largely dollar and other hard currency deficit.

The above estimates for 1948 were based on a number of assumptions presented in the CEEC report, most important of which seem to be maintenance of mid-1947 prices, and full availability of supplies. While the data reported by the United Nations for 1947 and the estimates reported by CEEC for 1948 are not strictly comparable for a number of reasons, they provide a general idea of the amounts involved. It should be recognized that the situation worsened considerably during 1947 in many of the countries after the estimates for 1947 were made.

The over-all estimates for the group of countries participating in the CEEC are summarized as follows:

Table 79

EXTERNAL BALANCE ON CURRENT ACCOUNT OF THE COUNTRIES PARTICIPATING
IN CEEC AND OF WESTERN GERMANY IN 1948

	With the American continent (Millions of U.S. dollars)	With other non- participating countries
Imports ^a	— 9,170	— 4,700
Exports	+ 2,160	+ 4,300
Net surplus (+) or deficit (—) on invis- ible account	— 570	+ 380
Dependent territories, net surplus or deficit	— 450	— 220
TOTAL	— 8,030	— 240

Source: *Report of Committee of European Economic Co-operation*, vol. I, page 51.

^a If imports of equipment were financed by loans from the International Bank for Reconstruction and Development or other credit operations, the deficit to be dealt with by other means would be \$7,110 million.

The composition of the imports required in 1948 by countries participating in the CEEC (excluding dependent territories) and of western Germany have been estimated by the CEEC as follows:

Table 80

IMPORT REQUIREMENTS OF THE COUNTRIES PARTICIPATING IN CEEC
AND OF WESTERN GERMANY FROM THE AMERICAN CONTINENT IN 1948

	1938 Computed at 1947 prices (Millions of U.S. dollars)	1948 (Per cent of total)
Food, feed and fertilizers. . .	2,850	36.1
Coal and other solid fuels. . .	—	3.7
Petroleum products	330	5.6
Iron and steel products....	91	4.0
Timber	185	2.9
Equipment .....	..	11.8
Unspecified imports .....	..	35.9
TOTAL .....	..	100

Source: *Report of Committee of European Economic Co-operation*, vol. I, page 114.

.. Not available.

— Less than half the final digit shown.

Food, feed, fertilizers, and solid and liquid fuel represent under half of estimated imports for 1948, and equipment about twelve per cent. However, "unspecified" imports amount to over one-third of the total, and include items of all specified categories.

Similar estimates are not available for other European countries for 1948.

Food and fertilizer imports of eastern European countries represented a much smaller share of their estimated import requirements for 1947 (generally below one-third) than in the first group of countries.¹ Solid and liquid fuel import requirements for most of these countries were also less significant. On the other hand, import requirements of capital equipment stated by Czechoslovakia, Poland and Yugoslavia represented a somewhat higher percentage, ranging from sixteen to twenty-six per cent of total import requirements; a significant part of their capital requirements could not be met in 1947 and are likely to be obtainable in 1948 only in dollar areas.

In the latter part of 1947, several countries, particularly those in eastern Europe, depended largely on limited European sources for their imports. In many countries of Europe plans for increasing production are closely associated with the availability of further dollar credits or assistance and the possible expansion of intra-European trade in 1948.

¹ For 1947 import requirements by commodity groups, see United Nations document E/288.

PART III

SOME OUTSTANDING WORLD ECONOMIC PROBLEMS

Chapter 1

THE WORLD FOOD SITUATION

*Contributed by the Food and Agriculture Organization
of the United Nations*

The world food situation is as critical this year as at any time since the end of the Second World War, but crisis is an inadequate term to describe the current food situation. Food shortages have become a chronic feature of the post-war world; there are long-term elements which will prevent a rapid elimination of major shortages.

The steady increase in the world's population, amounting to over 175 million persons over the past decade, in itself would involve a reduction in food consumption per person unless agricultural production increased at a similar rate, that is to say, by almost one per cent per year. Furthermore, a radically changed attitude towards minimum food standards has increased still further the pressure against world food supplies. Under war-time food rationing, there was a decided trend towards improvement in the diets of the lower-income and vulnerable groups in many countries, and a keener evaluation by governments of the benefits arising from adequate diets.

Agricultural production has suffered seriously from war devastation in many countries, and recovery has been impeded by delay in the replacement of production equipment and supplies and by unfavourable weather in two of the three post-war years. Increased requirements and diminished production have resulted in lower supplies per person and also in a forced reduction of stocks, to the point where they are insufficient to meet the inevitable year-to-year variation in world crop output. In 1947/48, bread-grain and rice production per person is thirteen per cent below the already inadequate average level of the years 1934 to 1938.

Since the steady increase of population may be expected to continue, it is necessary that the efforts of nations be concentrated upon the achievement of an even greater increase in agricultural production and efficiency in the distribution of food.

THE AGRICULTURAL YEAR 1946/47 AND FOOD YEAR 1947/48

PRODUCTION

Weather has caused a severe setback in the recovery and expansion of world food production in the third post-war year. Preliminary estimates of the 1947 crop in the Northern Hemisphere, received in Washington by early November, provide a gloomy picture of the world's food position until the 1948 harvest. During recent months, successive reports from many countries have darkened the picture, as more adequate appraisals of drought damage have been made, though the true extent of the crop losses cannot yet be assessed.

In the Southern Hemisphere, the 1947/48 harvest is still to come. Fortunately, prospects are generally better than in the Northern Hemisphere, but

only very preliminary indications of the output are possible at the present time.

The greatest reductions in crop production have occurred in the regions which had large food deficits before the war; many of these regions are still struggling to recover from the devastation of war. Their import needs have been greatly increased, without prospects of corresponding increases in world exportable supplies of staple foods that enter into international trade. Greater efforts than those now in effect, or yet planned, to conserve and share international food supplies, will be necessary if severe reductions of consumption in food deficit countries are to be avoided.

Europe is the region in which crop production was most adversely affected by weather conditions. The greater part of the continent was visited by the dual misfortune of an unusually severe winter, which damaged or destroyed millions of hectares of fall seeded crops, and an extremely dry summer, which cut yields of all important crops. The reduction in food supplies will adversely affect the output of livestock products during the winter, except as liquidation of flocks and herds increases meat supplies.

The harvested areas of some of the more important European crops for which data are available are shown in table 1. The area of wheat is less than in 1946, the area of rye the same, and the area of each of the spring seeded crops, barley, oats, maize, and potatoes, greater. The area of harvested wheat and rye was reduced by winter-killing. Considerable spring wheat and rye was reseeded, but it was also necessary to reseed some of the land with barley, oats and other spring crops. The total area of these six crops increased over the 1946 area despite the weather handicap. Somewhat more fertilizer and equipment were available, and production would have expanded even more than area, had the weather been equally favourable.

Table 1
AREA OF SELECTED GRAIN CROPS IN EUROPE^a
Pre-war average, 1946 and 1947

	Pre-War (1934-38)	1946	1947
	<i>(Millions of hectares)</i>		
Wheat	29.7	26.3	24.7
Rye	13.4	9.9	9.9
Barley	9.4	8.3	9.0
Oats	14.6	12.5	13.2
Maize	11.6	10.4	11.5
Potatoes	10.1	8.1	8.5
TOTAL	88.8	75.5	76.8

^a Excluding the USSR and Albania, because of inadequate information.

A summary of crop production appears in table 2. The decline of nearly eight million tons in production of wheat and rye is a major calamity for Europe. This resulted mainly from lower yields on a slightly smaller harvested area. Production of barley and oats was maintained at almost the 1946 level, and present estimates indicate that production of potatoes is not much below last year. Sugar beet production, contrary to earlier expectations, is now estimated at about the same level as in 1946.

Table 2
ANNUAL PRODUCTION OF SELECTED GRAIN CROPS IN EUROPE^a
Pre-war average, 1946 and 1947

	Pre-War (1934-38)	1946	1947
	<i>(Millions of metric tons)</i>		
Wheat	42.3	32.9	25.8
Rye	19.1	11.2	10.5
Barley	14.4	11.7	11.7
Oats	22.9	17.8	16.9
Maize	17.3	7.9	15.3
Potatoes	134.2	100.3	98.0

^a Excluding the USSR and Albania, because of inadequate information.

The 7.5 million ton increase in maize production was accounted for entirely by the four Danube Basin countries, Yugoslavia, Hungary, Bulgaria, and Roumania. These countries experienced favourable weather conditions, following a very severe drought in 1946. Their production of maize, the most important crop in this region, was restored almost to the pre-war level.

The severity of winter-killing and drought varied from country to country, but the only countries to escape without serious crop losses were the four countries of the Danube Basin referred to above, and the USSR. The countries with the most severe reductions in crop production, compared to last year, were Denmark, the Netherlands, Belgium, France, Switzerland, and Italy.

A very serious aspect of the poor 1947 crop condition in Europe is the reduction in the output of feed. In addition to the loss of grain supplies for feed that occurred in most countries, particularly those of western Europe, there were even greater reductions in the production of root crops, hay and pasture. Estimates of the supplies of these feeds are not available for many countries, but incomplete reports indicate that production of these crops in various western European countries was reduced ten to thirty per cent below that of last year. Furthermore, the poor pastures in the summer and early autumn made it necessary to draw exceptionally early on feed supplies normally reserved for winter use. Hence, the quantities of domestic feed available for the balance of the feeding year are very sharply reduced, compared with the same time in 1946.

In some countries there were increases in the numbers of livestock during 1946/47. These increases were most in evidence for pigs and poultry, whose number was most drastically reduced during the war. While reliable estimates of livestock are not available for all countries for a single recent date, it appears that the net increases for Europe as a whole, exclusive of the USSR, were at least five per cent for pigs and two to three per cent for cattle, up to the spring of 1947. While data on poultry numbers are even less complete and reliable, it is probable that the increase was greater than that for pigs.

To provide some basis for evaluation of the European feed and livestock position the Food and Agriculture Organization of the United Nations (FAO) has made some estimates of the relation between feed supplies and livestock numbers for 1946/47 and pre-war years. These estimates show that, for many of the western European countries, total feed supplies in 1946/47 were about eighty-five per cent of their pre-war relation to the number of animals. Con-

concentrated feed supplies were only about sixty-five per cent as large. While it has not been possible to prepare comparable quantitative estimates for 1947/48, it is clear that feed supplies are smaller and animal numbers larger than a year ago. Already there are reports from several countries of unseasonably heavy slaughtering during the early fall months. This appears to be a partial adjustment to the feed situation by early slaughter, instead of feeding animals to heavier weights for slaughter later in the winter in accordance with normal practice. The net result will probably be larger supplies of meat and animal fats early in the year, but smaller supplies later on. It is quite certain, however, that slaughtering over the whole year will increase, with consequent reduction in the total number of farm animals.

In general, the impact of the reduced supplies of feed will be greatest in the countries which normally import it in considerable quantities; the reductions in production were greatest in these countries. Some of the countries that usually export fodder are themselves faced with scanty feed supplies. The pressure to use increased quantities of barley, maize, and even oats for direct human consumption will also be stronger than ever before as a result of the acute shortage of wheat and rye.

The USSR has harvested much larger crops than in either 1945 or 1946. There were increases over last year in both the area sown and in the yields of grain. It was officially estimated in August that the total grain crop was 92.5 million to 96.5 million metric tons. Wheat production, on the basis of the same report, is estimated at 28 million tons, compared with the record 1937 harvest of 47 million tons, within the old boundaries of the USSR. In addition to an excellent grain harvest, official reports refer to a large increase in the production of sugar beets, potatoes, tea, cotton, and tobacco.

Throughout the Middle East grain production in 1947 was lower than in 1946 but it should be noted that 1946 production was high and exceeded the average pre-war level. For example, Turkey, the largest grain grower and exporter, produced over half a million tons, or about eight per cent less grain than in 1946. Heavy locust attacks and a very mild dry winter caused crop failure in major parts of the region. Total production was below even the pre-war average, and with the considerably increased population, maintenance of pre-war supplies per person is dependent upon imports, in an area which in recent years has been a net exporter of grains.

In the Far East production prospects vary widely from country to country. In India and Pakistan, the greatest deficit region, the rice crop is estimated to be six per cent smaller than last year and the wheat crop—damaged by rust—nine per cent smaller. China, on the other hand, has somewhat larger crops than last year; they are estimated at five per cent higher in the case of wheat and about two per cent higher for rice. Japan has a much better wheat crop than the unprecedentedly poor one of 1946. The barley crop in Japan is also somewhat larger, but earlier prospects for a good rice crop have been dimmed by typhoon and flood damage, with the result that the 1946 crop will barely be equalled. In South Korea, winter grain crops are poorer than in 1946, but the rice and potato crops are considerably better. In two of the surplus rice producing countries, Burma and Siam, the rice crops are better than in 1946, though still below pre-war levels. The other large surplus producing country, Indo-China, has a poorer rice crop in 1947. Slightly better rice crops are

anticipated in the Philippines and Malaya. Table 3 compares rice production in various countries in 1947/48 with 1946/47 and with the pre-war average.

Table 3

ANNUAL PRODUCTION OF RICE IN PRINCIPAL FAR EASTERN PRODUCING AREAS
Pre-war average, 1946/47 and 1947/48

	Pre-war (1934/35-1938/39)	1946/47	1947/48 ^a
	<i>(Millions of metric tons)</i>		
Burma	7.4	3.9	4.9
China (22 provinces)	50.1	47.4	48.1
Formosa	1.7	0.8	1.4
India	38.9	42.9	40.4
Indo-China	6.3	4.1	3.9
Indonesia ^b	6.4	5.6	5.5
Japan	11.5	11.5	11.2
Korea	3.9	2.2 ^c	2.7 ^c
Malayan Union	0.5	0.4	0.5
Manchuria	0.6	0.8	0.3
Philippines	2.2	2.0	2.2
Siam	4.4	3.7	4.2
TOTAL	133.9	125.3	125.3

^a Preliminary estimates based on reports received by Food and Agriculture Organization and the United States Government.

^b Java and Madura.

^c South Korea only.

On balance, it appears that food production in the Far East may be approximately the same this year as last, but the continuing population increase is such that production per person will probably be lower. Production in India and Pakistan has suffered, not only from adverse weather, but even more seriously from civil strife, and very heavy imports will be required if an acute deterioration in the food situation in these countries is to be prevented.

The great food exporting countries of North America also experienced less favourable weather after a long series of excellent crop years. Production, although well above pre-war levels, was reduced sufficiently to raise serious problems with respect to the continuance of the high levels of food exports.

The United States had a record wheat crop, nearly seven million tons larger than that of 1946, but the maize crop, the poorest in many years, was lower by twenty-one million tons. There was also a reduction in the output of oats, the third important grain crop. Total production of wheat, rye, barley, oats, and maize was nearly eighteen million tons lower than in 1946. This results in contracted feed supplies and necessary restriction in livestock feeding, if grain exports are to be maintained at the 1946/47 level. In Canada, the wheat crop is estimated to be about two million tons smaller than in 1946. Production of secondary grains was also down, with the result that prohibitions have been placed on the export of feed to protect feed supplies for domestic use.

The number of livestock in the United States has declined from its war-time peak levels. On 1 January 1947, the number of all major classes of livestock was lower than a year earlier, and the downward trend continued during 1947. In Canada, cattle numbers have been declining but the number of hogs is increasing.

Australia expects the 1947/48 crop of wheat to be about two million tons greater than the drought-depressed crops of the past two years. In Argentina, the estimated area of wheat to be harvested is seventeen per cent less than in the previous year. There are also reductions, though smaller, in the area of barley, oats and rye. Yields of maize cannot be expected to increase sufficiently to offset the decline in maize areas, even with continued favourable weather. The Union of South Africa expects some increase in grain production, but not enough to meet its own needs. On the whole, Southern Hemisphere countries in the temperate zone, in which grain production is of major importance, have somewhat improved crop prospects this year.

Prospects for sugar production are good, especially in the major producing country, Cuba, where a crop close to the record one of the previous year is expected in 1947/48. Progress in increasing the production of vegetable oils, one of the other major export items of the tropical region, is less encouraging.

It is difficult to reduce world-wide production estimates for 1947/48 to a quantitative summary statement, but reductions from 1946/47 appear to outweigh the increases slightly. In addition, the annual increment of fifteen million to twenty million in the world's population must be taken into account. Furthermore, the regional pattern of increases and declines in production, and their effect upon world trade, are of major importance, especially to the countries that are heavily dependent upon imports. This aspect will be considered in detail in the following section on trade.

TRADE

In 1946/47, world bread and coarse grain exports totalled approximately 29 million tons. It is estimated that imports of about 39 million tons of grain will be needed for food in 1947/48, if bread-grain supplies in the deficit countries are to be maintained at the modest levels of 1946/47. Of the requirement for an increase of 10 million tons, to maintain the previous year's consumption levels, about 8 million tons are required by Europe and 2 million tons by the Far East. Increases and decreases elsewhere approximately offset one another. Exportable supplies of all grains under consideration by the International Emergency Food Council (IEFC) in October were estimated as follows, in millions of metric tons:

Argentina, 5.6; Australia, 2.0; Canada, 5.7; United States, 13.7; other 2.4; total, 29.4.

The amount of Argentina's exports is uncertain. While the statistical position reflected by the delay in shipments from Argentina in the earlier months of 1947 suggests that 1947/48 may yield about one million tons more than were exported in 1946/47, prospective reduction in the coming wheat crop and continuation of recent shipment, price and procurement difficulties may disappoint these hopes. Shipments in 1946/47 were 4.3 million tons; hence, the estimate of 5.6 million is an optimistic one.

The confident hopes of a good crop in Australia may make possible the export of well over two million tons in 1947/48, compared with 1.4 million tons in 1946/47.

The estimate of 5.7 million tons from Canada represents a decline of 1.2 million tons from 1946/47 exports. The wheat crop is about two million tons smaller than in 1946 and no coarse grains are to be exported in 1947/48 because of the domestic feed shortage.

The estimate of 13.7 million tons for the United States compares with 15.1 million tons exported in 1946. The object of the drive recently launched in the United States to secure economies in domestic utilization is to achieve the previous year's level of exports.

During 1946/47, exports of bread-grains from all sources other than the four countries referred to totalled about 1.2 million tons. Turkey supplied nearly a half million tons of this total. Because of a poorer crop, Turkey is not expected to contribute substantially to the world exportable surplus this year. The USSR and the Danube Basin countries, however, had relatively good crops. The USSR has discussed trade agreements involving the shipment of grain to Czechoslovakia, Denmark, France, Poland, and the United Kingdom. There have been no indications of intention to export grain from the Danube countries. The estimate of 2.4 million tons from "other" sources is merely a recognition of the fact that some such quantity may be exported from the USSR and south-eastern Europe.

From the above it will be seen that the world estimate of 29.4 million tons is based on many uncertainties. Some countries may exceed their shares of this total; others may fall short. But the total will not be significantly exceeded unless awareness of the impact of the shortage on food-importing countries stimulates exporting, or potential exporting, countries to substantially greater efforts to restrict domestic utilization.

Production of wheat in India and Pakistan is about three-fourths of a million tons under the previous year and production of rice is about 2.5 million tons lower. It is doubtful if the entire decrease in rice production can be offset by increased rice imports; with the decline in wheat production as well, India will need to import a minimum of two million tons more bread-grain than during the previous year to maintain the present low cereal consumption. The other deficit bread-grain areas of the world, taken as a whole, may be able to maintain consumption levels with slightly smaller imports than they had last year. But present levels are extremely low in some of these countries, especially in the Far East. In summary, the present outlook is that without drastic changes in grain utilization in both importing and exporting countries exportable supplies of bread and coarse grain will fall approximately ten million tons short of the quantity needed to maintain 1946/47 bread rations in the deficit countries during 1947/48.

Rice exports from the three Far Eastern exporting areas, Burma, Siam and Indo-China, are expected to be about a half million tons greater in 1947/48 than in 1946/47. Exports from other parts of the world are expected to be about the same. Since deficits in the Far East have increased more than the difference in exportable surplus, the over-all situation is expected to deteriorate slightly.

The world exportable supply of fats and oils during the calendar year 1947 (the international allocation period) increased to 3.5 million tons from 2.5 million tons in 1946. Production in the major importing countries was also at a higher level than in 1946. Unfortunately, 1948 appears likely to be a more difficult year from the standpoint of export supplies of fats and oils. The only important source of prospective increased exports in 1948 is the copra and palm-oil from the Netherlands East Indies and nearby areas. Production in North America is expected to be lower as a result of less feed for livestock, and in Europe the reduction may be even greater. Thus the supply situation in the deficit countries is likely to be more difficult in 1947/48, especially during the latter half of the period.

Trade in food commodities other than cereals and fats is of much less importance to the total food supply of most countries. Furthermore, for most of these other commodities, many deficit countries are now limited in their purchases by price and exchange requirements, as well as by supply considerations. Sugar supplies are approximately in balance with the demand at current prices. Exportable supplies in 1948 will probably be at least as large as 1947, and probably slightly larger. Exportable supplies of cocoa may be slightly larger in 1948, and supplies of pulses and meat about the same. The food-deficit countries cannot look to increased imports of other commodities to make up for any important part of the reduced availability of grain.

The preceding discussion has been in terms of export availabilities in relation to import needs. At the present time, some of the large deficit countries do not possess financial resources for the purchase of their appropriate shares of the very insufficient exportable grain supplies. Should this situation persist, the foreign exchange position would replace nutritional need as a major factor in determining the international distribution of food.

CONSUMPTION

Consumption levels will be lower during this winter in most deficit areas, particularly in Europe and many sections of Asia. Not only will the caloric intake be reduced but, at least in most of Europe, there will also be less protein and fat, particularly from animal sources. The additional cut in food supplies will have to be borne primarily by the non-farm population. The farm groups are more likely to maintain their food intake.

In most of the food-exporting countries, average diets are not likely to change much, but in countries without rationing, the inflation in food prices may force persons in the lower income brackets to limit their consumption. The USSR and the Danubian countries are probably the only areas where food intake is improving over the previous year's extremely meagre rations.

OUTLOOK FOR THE AGRICULTURAL YEAR 1947/48 AND FOOD YEAR 1948/49

PLANTING CONDITIONS

Adverse weather conditions again are casting their shadow upon the 1948 crop. In at least two major areas of the globe, fall planting has been severely affected by continued dry weather during the summer. In the United States, no rain fell in the south central and south-western Great Plains for three months. On 1 November the area planted was not more than three-fourths of normal for that date. The grain that was seeded had not sprouted, and while

a change in weather during the growing season may still bring about relatively favourable crop conditions, the possibility of a repetition of a record harvest of fall sown wheat has already vanished. It has been estimated that the crop in this area may be as low as one-half that of the previous year; such a reduction would roughly equal the total amount of 1947/48 United States wheat exports. The dry summer months which affected the corn crop in the north central United States, and reduced the wheat output in Canada, lowered soil moisture to a point which is inauspicious for the coming crop. A similar situation, though a less serious one, also exists in central and western Europe, where much of the seeded grain has not sprouted owing to lack of moisture.

In some areas, civil strife may reduce the planted area. In India, millions have been uprooted from their land, and disturbed conditions also exist in China, Greece and elsewhere. On the other hand, such factors of production as fertilizers, machinery and equipment, and the labour supply have continued to improve somewhat in the over-all picture. Bad weather conditions have concealed the effects of the improving supply position of agricultural requisites; with better weather these factors may be expected to exert a greater effect on production.

FERTILIZERS

While the over-all supply of nitrogenous fertilizers, which are most important to agricultural production, has improved by about seventeen per cent for the agricultural year 1947/48, compared to the previous year, and by about nineteen per cent over pre-war, or average 1935 to 1939 levels, the stated requirements submitted to the International Emergency Food Council have exceeded world allocations by about thirty per cent.¹ Although some claimant countries may have over-stated their needs, there is undoubtedly a wide gap between supplies and legitimate requirements. Part of the increased requirement arises from under-application of fertilizers and generally poor cultivation methods in use in many countries during the war years, owing to the shortage of animal manure caused by reduced livestock numbers and the increased demand for agricultural products by an expanding population.

The distribution of nitrogenous fertilizers for 1947/48 shows improvement in the supply for different areas in varying degrees. Continental Europe (exclusive of the USSR) which consumed over fifty-six per cent of world nitrogen before the war, will consume only forty-two per cent in 1947/48, reducing its share even below the previous year, when it was forty-five per cent. In actual tonnage, this region will obtain practically no more than in the previous year unless, of course, part of ordnance production is made available. Consumption in North America rose from only fourteen per cent of world supplies in pre-war years to twenty-eight per cent in 1946/47, and thirty per cent in 1947/48. South America and the United Kingdom are the only other areas sharing substantially in the increase in nitrogen supplies over last year. Allocations of nitrogen indicate that little improvement will be experienced in Africa and the Asian countries, except as the latter countries share in released ordnance for fertilizers.

The distribution has quite obvious shortcomings, as table 4 indicates.

¹ The increase over the previous year may actually be less, because the United States and United Kingdom ordnance production of nitrogen has not been definitely committed for export. This nitrogen represents, roughly, half of the thirty per cent increase.

Table 4
WORLD CONSUMPTION OF NITROGEN FERTILIZER
 1946/47 and 1947/48^a

	Pre-War (1935-39) (Per cent of pre-war average)	1946/47	1947/48 ^b
Continental Europe (excluding USSR)	100.0	80.8	81.0
United Kingdom	100.0	217.0	282.0
North America	100.0	203.2	228.3
South America	100.0	175.1	192.3
Africa	100.0	76.2	75.0
Asia (excluding USSR)	100.0	76.6	77.1
Oceania	100.0	76.7	91.4
World total (excluding USSR)	100.0	102.0	107.8
	(Thousands of long tons)		
World consumption (nitrogen content)	2,402.6	2,450.0	2,590.0

^a Based on allocations.

^b Excludes possible United Kingdom and United States ordnance production of 243 thousand tons and the allocation to British colonies, protectorates and mandates of 27 thousand tons or about ten per cent of the total 1947/48 allocation.

The food deficit countries, particularly in Continental Europe and Asia, have less nitrogen than in pre-war years, while the large exporting areas have over twice their pre-war quantity. Doubtless world food production could be increased through a changed allocation and at the same time shipping space could be saved, since one ton of nitrogen fertilizer could replace about three tons of grain in the shipments to deficit areas. Such a distribution would also help war-devastated and less developed countries.

Phosphates and potassic fertilizers are in relatively good supply, although some regional shortages are experienced, owing to the insufficient capacity of processing plants, inadequate transport facilities, especially for phosphate rock, and difficulties related to agreement on the terms of trade.

FARM MACHINERY

In some countries, animal and mechanical draught power is still scarce. In the war-devastated countries, the reduction in draught power during the war was so great that the provision of 23,000 tractors and 260,000 draught animals to countries assisted by UNRRA is estimated to have replaced less than five per cent of the loss. In these countries, the loss of draught power is said to have averaged about thirty-six per cent of the pre-war total: included in this average are Poland and the Ukraine, which lost about sixty-five per cent. The replacement of this loss in draught power, either by animals or tractors, began immediately after the war and continues at an accelerating rate. In some countries, for example, in Czechoslovakia and the Netherlands, the draught power situation is nearing the pre-war level.

In countries not damaged by the war, such as the United States and Canada, a much larger number of tractors is in use than was the case before the war; however, the demand has been greater than the available supply. In under-developed countries of Asia and Central and South America, an expan-

sion in the use of farm machinery must await changes in the farming systems, training of farm labour in the operation and maintenance of modern machines, and development of distribution facilities for fuel and spare parts.

The production of farm machinery has expanded very considerably since the war. In 1946, the production of the United States, Canada and the United Kingdom was double that of 1938. The outlook for available exports for 1948 is considerably better than in 1946 and 1947. It is expected that the exports from the United States will be more than double those of pre-war years, and those of the United Kingdom will be decidedly larger. Total exports of both wheel and crawler tractors from the United States and the United Kingdom, alone, may be double the exports of all countries before the war. In Canada, Czechoslovakia, Denmark, France, Germany, Hungary, and Italy, production is expanding, at varying rates. Nevertheless, the requirements of importing nations will only be partially met. Taking into account probable limitation on further increases in production and exports during the next few years, the probable supply will be far from meeting the demand, which has been expanded by war devastation and by increased desire for mechanization in many parts of the world. Since agricultural machinery is not subject to international allocation, producing countries and principal pre-war importers are likely to receive a disproportionate share of total production.

PESTICIDES

Among the factors affecting the quantity of food available for human consumption is the inroad made upon supplies by insects, rodents, fungus diseases, and weeds. Although accurate estimates cannot be made for most countries, the statistics which are available reveal that world food losses caused by various destructive pests run into high figures, possibly ten per cent of all field crops. The effort to reduce the toll taken by these pests has been most vigorously undertaken in the Western Hemisphere, where production of pesticides has increased rapidly and progressively in the last decade.

Before the war, Germany was the main supplier of chemicals in Europe, and Japan was an important source for the Far East. The sharp decline in the production of insecticides and allied products in the devastated areas and the reduction in the capacity of the chemical industries in Germany, Italy and Japan created a considerable deficit in world supplies of these commodities. Part of this deficit has been made up by shifting production to other countries, for example, production of pyrethrum has been shifted from Japan to Brazil, the Belgian Congo, and Kenya. In 1946, however, consumption requirements exceeded supplies, which in the case of most pesticides had hardly reached pre-war levels. The production of DDT is overtaking the demand for this product, and the supply situation will probably be adequate in 1948/49. Rotenone-bearing roots are presently nearly adequate for the demand, and by 1948 pyrethrum supplies may be sufficient for immediate requirements. The pesticides produced in larger tonnages, such as benzene-hexachloride, white arsenic, copper sulphate, and sulphur, are generally in short supply and are expected to remain so for the next two or three years, although sulphur supplies may be adequate to meet requirements by 1948.

SEEDS

The severe winter of 1946/47 and the summer drought have also taken their toll of seed crops. The severe winter kill throughout north-west Europe particularly affected the production of root-crop seeds and seed potatoes in storage. The reduction in sugar-beet seed will probably involve some curtailment of area planted in 1948, possibly running to fifteen per cent of last year's total. Feed-crop seeds, in general, are in short supply, with the exception of alfalfa, of which both Canada and the United States appear to have exportable surpluses. Supplies of hemp, oil flax, sunflower, and poppy seeds are reported adequate to meet the needs of most countries, but colza and fibre flax are estimated to be substantially below requirements. Grain seed, particularly certified and improved varieties, is short in many areas, such as Poland and the Middle East.

LIVESTOCK

As indicated above, it is virtually certain that livestock numbers in Europe at the beginning of 1948/49 will be considerably below the present level. This probably will result in even lower meat production than the present level, and it is possible that even dairy cattle may be reduced. Any significant increase in the number of hogs, cattle, or sheep, which might result from better pasturage or coarse grain production, would be unlikely to be of any magnitude before the spring of 1949. Even should the post-war grain crop in Europe be better than average, it would be unwise for governments to contemplate any great increase in grain-consuming animal units until stocks have improved beyond the level at which there is constant threat of famine.

In Argentina, Canada and New Zealand, major meat-exporting countries, the number of hogs is increasing, and the number of cattle is mounting also, though at a slower rate. However, the increase in Canada is at the expense of exports of feed to European countries, and in the United States the number of hogs, cattle and sheep is expected to decline moderately. Other livestock-producing countries show varying trends, but are unlikely to alter the picture, which indicates a livestock population somewhat reduced from last year.

FARM LABOUR

Farm labour, commonly plentiful in most parts of the world, has been insufficient in Europe and, to a lesser extent, in North America. In these regions, the war has caused the shift of a considerable number of the best farm workers into industry, leaving a disproportionately large number of women, children and old men to do the farm work. A reversal of the trend is not likely, owing to the expected acceleration in the reconstruction of industry and commerce. To alleviate the labour shortage some countries, England, France, and the USSR, for example, are still using considerable numbers of German prisoners of war; others, such as Czechoslovakia, England and France, have brought in Italian labour and some displaced persons. Italy and perhaps Germany, are the only countries in Europe with surplus labour. The United States has been drawing on farm labour from neighbouring countries.

To plant and harvest the 1948 crop, many of the European countries will continue voluntary and compulsory recruitment for agricultural work, widen the use of foreign workmen, and make farm labour more attractive through better wage scales and social insurance.

SUMMARY OF PROSPECTS FOR PRODUCTION AND FOOD SUPPLY

Review of the supply of requisites for agricultural production indicates that there has been progress in their availability since the end of the war.¹ The food production gains in the 1945/46 production year were not repeated during the following year because unfavourable weather conditions affected several widely separated portions of the globe simultaneously. With average weather conditions in the current production year 1947/48, a resumption of post-war recovery in world food production can be expected. But weather is always an uncertain element and the world has no food reserves to lessen the impact of another bad crop year.

Dry weather in the fall of 1947, during the normal seeding period for winter grains in North America and Europe, is an inauspicious start for the new production year. It is still possible, however, for this to be at least partially offset by favourable weather during the winter and the subsequent growing season. Reduction in livestock in Europe adversely affects soil fertility and crop yields. Despite this, however, it is reasonable to expect that world production of food for consumption in 1948/49 will be greater than during the preceding year. Favourable weather conditions may be expected to result in greatest relative increases in production, compared with the previous year, in Europe and India, which in turn would relieve some of the pressure upon exportable supplies, since these are the two great food-deficit regions.

Liberalized trade is essential to the achievement of a maximum increase in production, and to effective utilization and distribution of world food supplies. There is reason to hope that some of the obstacles, such as restrictive bilateral arrangements, shortages of acceptable currency or credits, lack of transport facilities, and cumbersome machinery for trade negotiations and licensing, will be removed. The work of the International Trade Organization and the achievement of multilateral agreements among eighteen countries which controlled about eighty per cent of pre-war trade, the plans of the Economic Commission for Europe, the implementation of the European recovery programme and the efforts of the newly established World Food Council, the International Monetary Fund, and the International Bank for Reconstruction and Development can be expected to bear some fruit, even though it may be limited for the next few years.

It is too early to go further in forecasting levels of food supplies in different parts of the world in 1948/49 although it appears that some general improvement is possible and even likely. It seems almost certain that even with good weather, food supplies per person will still remain below pre-war levels in many countries and that exportable supplies of rice, bread-grains, fats and oils, and possibly some other staple foods will fall short of import needs. Hence, the need for national food controls and international co-operation in the allocation of food supplies will continue.

¹ Related publications of the Food and Agriculture Organization in this field include the following: *World Food Survey*, July 1946; *Wheat*, Commodity Series No. 1, March 1947; *Fertilizer Review*, third session, FAO Conference, August 1947; *Farm Power and Machinery Review*, third session, FAO Conference, August 1947; *Review of Agricultural Pesticides*, third session, FAO Conference, August 1947; *Measures to Alleviate the World Shortage of Cereals and Other Foodstuffs*, submitted to the General Assembly of the United Nations, September 1947.

Chapter 2

THE EUROPEAN COAL SITUATION

Before the war, Europe accounted for over fifty per cent of the world output of coal. In 1938, European coal production, exclusive of the USSR,¹ amounted to 571 million tons.² Europe was traditionally self-sufficient in coal and normally a net exporter; average annual net exports amounted to about 17 million tons during the period 1935 to 1938.

Coal mining has been the foundation of the industrial economy of Europe. In the period from 1935 to 1938, over four-fifths of the energy consumed in industrialized European countries was derived from coal.³ The supply of coal in normal times was not, however, a factor limiting industrial development. On the one hand, the decline in coal production since the war, and the even sharper decline in intra-European trade in coal, and on the other, the increasing requirements in connexion with the progress of recovery, have brought about a wide discrepancy between supply and requirements. As a consequence, Europe has found it necessary to import large quantities of coal from the United States. The shortage of coal in the post-war period has seriously impeded European reconstruction.

Since the end of the war, European coal mines have been nationalized or placed under stringent governmental control in most European countries. Coal consumption is also controlled by various methods, including allocations by strict priority systems.

COAL PRODUCTION

European coal mines suffered relatively little devastation, but a number of factors have contributed to the low level of coal production since the end of the war:

(a) During the war, coal mines were over-exploited for war needs, particularly in German-occupied countries, where production methods completely disregarded future requirements. Coal production in almost all European countries was at capacity during the war;

(b) Lack of proper maintenance and replacement caused general deterioration of equipment, a large part of which was already obsolete;

(c) The pre-war labour force engaged in coal mining was reduced con-

¹ Unless otherwise specified, references to Europe throughout this chapter exclude the USSR because of inadequate data.

² All data are in terms of physical volume. Unless otherwise indicated, tonnage figures refer to metric tons throughout the chapter.

³ Based on the estimate in the *Report of the Committee of European Economic Co-operation*, according to which eighty-two per cent of the energy consumed in 1935 to 1938 in sixteen participating countries and western Germany was derived from coal, compared with fifty-four per cent in the United States. The pre-war *per capita* consumption of energy varied considerably among countries; industrialized countries have a *per capita* consumption five times that of predominantly agricultural countries.

siderably during the war as a result of calling up miners for military service, removal of miners by the enemy to concentration camps and for slave labour, war movements of the population, and so forth. During the war, Germany managed, by the use of slave labour, to increase the number of workers in domestic coal mines and to maintain employment in coal mines in occupied countries. After the war, however, these workers left the mines. At the same time, the productivity of coal miners declined substantially owing to war exhaustion, inadequate food consumption, and reduction in the number of skilled workers;

(d) During the final stages of military operations, mines in a number of countries were flooded or damaged. Restoration of mines to working order required considerable time in the early post-liberation period.

In the latter half of 1945, total European production of hard coal was at a very low level—about sixty per cent of 1938—and in most continental European countries hard coal production was below fifty per cent of 1938 levels. During 1946 and 1947, the situation improved considerably. The high priorities attached to coal production and mining supplies, including various measures taken to increase the labour force and to improve living conditions of mine workers, were effective in increasing production. Table 5 shows production of hard coal in Europe in 1946 and 1947, compared with the annual average for the four-year period, 1935 to 1938.

In 1947, production of hard coal in Europe, exclusive of the USSR, is estimated at about eighty-four per cent of the pre-war amount. Production in a number of countries either approached the pre-war level, as in Poland (within post-war boundaries), or exceeded it, as in Czechoslovakia and France. However, the two main coal producing and exporting countries, the United Kingdom and Germany (within post-war boundaries), continued to produce considerably less than before the war: the United Kingdom, about eighty-five per cent of the pre-war level, and Germany, about sixty per cent. These two countries produced 85 million fewer tons in 1947 than the average annual production during 1935 to 1938. Coal production in Belgium and the Netherlands, was eighty-three per cent and seventy-eight per cent, respectively, of the pre-war level. The output of small-scale producers (exclusive of Spain) equalled the pre-war level in 1947; important as their production is to the economics of the countries, however, it could not influence the general European situation.

Total European production of lignite and brown coal in 1947 was at the pre-war level. In a number of countries, production was higher than the pre-war rate; only in Austria, Poland and Yugoslavia did it lag behind. While lignite and brown coal are important as limited substitutes for hard coal in a number of less industrialized coal-importing countries, they cannot substantially relieve the shortage of hard coal, including metallurgical coking coal. Lignite and brown coal are produced on a large scale only in Germany and Czechoslovakia, both of which are self-sufficient in hard coal; they are used for household purposes, thermal power stations, and for chemical production, especially for synthetic oil and rubber. Comparative production of lignite and brown coal is shown in table 6.

Table 5
ANNUAL PRODUCTION OF HARD COAL IN EUROPE
Pre-war average, 1946 and 1947

	Pre-war (1935-38) (Millions of metric tons)	1946	1947 ^a	1947 as per cent of pre-war
Main producers and exporters:				
United Kingdom	233.2	193.1	199.7	86
Poland ^b	60.9	47.3	58.9	97
Germany ^b	136.0	63.2	84.1	62
TOTAL	430.1	303.6	342.7	80
Other important producers:				
France	45.6	47.2	46.5	102
Belgium	28.5	22.8	23.6	83
Czechoslovakia	13.3	15.2	15.8	119
Netherlands	13.1	8.3	10.2	78
TOTAL	100.5	93.5	96.1	96
Other countries ^c	9.3	14.7	15.1	162
USSR	127.3	.. ^d	.. ^d	.. ^d
TOTAL:				
Including USSR	667.2	..	..	..
Excluding USSR	539.9	411.8	453.9	84

Source: Statistical Year Book of the League of Nations, 1939 to 1940; European Coal Organization, Monthly Coal Statistics; United Nations, Monthly Bulletin of Statistics, and various national statistical publications.

.. Not available.

^a Actual production, plus estimates for last few months based on actual production level of latest month.

^b Within post-war boundaries.

^c Includes the following countries with specified annual average production in millions of tons during 1935 to 1938: Austria, 0.2; Bulgaria, 0.1; Greece, 0.1; Hungary, 0.9; Italy, without Istrian coal production, 0.9; Norway, 0.7; Portugal, 0.2; Roumania, 0.3; Spain, 4.6; Sweden, 0.3; and Yugoslavia, including Istrian coal production, 1.0. Switzerland, which did not produce coal before the war, is included for the post-war years: 1946, 0.1 and 1947, 0.03 million tons. The aggregate production of these countries, without Spain, averaged 4.7 million tons annually during 1935 to 1938; 4.0 million tons in 1946; and 4.7 million tons in 1947.

^d It is reported that production exceeded the pre-war average considerably, but figures are not available.

Table 6

ANNUAL PRODUCTION OF LIGNITE AND BROWN COAL IN EUROPE
Pre-war average, 1946 and 1947

	Pre-war (1935-38)	1946	1947 ^a	1947 as per cent of pre-war
	<i>(Millions of metric tons)</i>			
Germany ^b	165.0	160.2	158.3	96
Czechoslovakia	15.5	19.5	22.2	143
Hungary	7.5	5.6	7.2	96
Poland ^b	7.0	..	4.5	64
Yugoslavia	4.5	..	3.1	69
Austria	3.2	2.4	2.7	84
Roumania	1.8	..	2.4	133
Bulgaria	1.7	3.4	3.9	229
France	1.0	2.1	2.2	220
Italy	0.9	..	1.6	178
Others ^c	0.4	0.9	0.8	200
TOTAL^d	208.5	..	208.9	100

Source: *Statistical Year Book of the League of Nations*, 1939 to 1940; United Nations, *Monthly Bulletin of Statistics*, and various national statistical publications.

.. Not available.

^a Actual production, plus estimates for last few months based on actual production level of latest month.

^b Within post-war boundaries.

^c Includes the following countries, with specified average annual production in millions of tons in 1935-1938: Greece, 0.1; Netherlands, 0.1; Portugal, 0.02; and Spain, 0.2.

^d Excluding the USSR.

COAL IMPORTS AND EXPORTS¹

Because of the unevenness of the distribution of coal resources in Europe, most countries of the continent, among them several industrialized countries, were dependent upon imports for most, or a significant part, of their coal supplies. Three countries—the United Kingdom, Germany and Poland—accounted, prior to the war, for eighty per cent of total European coal production and for over ninety-five per cent of the aggregate exports of net exporting European countries.

The decline in coal production and the changes in boundaries drastically reduced coal export surpluses in Germany. Prior to the war, 6.1 million tons were supplied annually to western Germany by the Silesian mines,² which increased the possible volume of exports from western Germany. The post-war volume of exports to date has been affected by these factors, as well as by the low level of industrial activity in Germany. The decline in coal production in the United Kingdom eliminated its exports of coal to European countries entirely. At the same time, coal supplies available to most other European importing countries have been further reduced by declines in domestic production in many of them.

¹ This discussion is limited to trade in hard coal, because of the unimportance of lignite and brown coal in this connexion.

² According to the *Report of the Committee of European Economic Co-operation*.

Total net exports of coal from the five European countries which had an export surplus of coal (see table 7) were forty per cent of the pre-war level in 1946 and in 1947. In 1947, the United Kingdom, while exporting about one million tons of coal to dependent overseas territories and Ireland, ceased to export to Continental Europe and even imported 0.7 million tons. German coal exports from areas within post-war boundaries declined to about forty per cent of the pre-war level. Poland exported 24.5 million tons during 1947 or more than 150 per cent of pre-war exports from areas within post-war boundaries. These exports could not close the gap of about 58 million tons created by the loss of United Kingdom and German exports. Polish exports were absorbed by central and eastern European countries, including the USSR, and by western European countries. The USSR and, on a small scale, Czechoslovakia, which, prior to the war, were coal-exporting countries, became net importers of coal.

In 1947, the aggregate net imports of the European countries which imported coal, on balance, are likely to be ninety per cent, and if the USSR is excluded, about eighty per cent of the pre-war level. The distribution of coal imports among European countries differs from that before the war. Belgium, which was almost self-sufficient in coal, had a net import of about 3 million tons in 1947, and the Netherlands about 3.4 million, or 142 per cent of the pre-war imports. Austrian imports in 1947 reached pre-war levels, while imports of France, Luxembourg, Norway, Sweden, and Switzerland varied from sixty to seventy-five per cent of pre-war averages. Italian and Danish imports exceeded eighty per cent of pre-war amounts. Net imports of other European countries in 1947 amounted to about fifty per cent (see table 7).

Table 7

EUROPEAN NET EXPORTS AND NET IMPORTS OF COAL
Pre-war annual average, 1946 and 1947^a

	Pre-war (1935-38)	1946	1947 ^b	1947 as per cent of pre-war
	(Millions of metric tons)			
Net exports ^c :				
United Kingdom	40.9	4.6	0.3	1
Poland ^d	16.1	15.3	24.5	152
Germany ^d	28.1	12.7	11.0	39

Source: *Statistical Year Book of the League of Nations*, 1939 to 1940; European Coal Organization, *Monthly Coal Statistics*; United Nations, *Monthly Bulletin of Statistics*; Economic Commission for Europe, *Report to the Industry and Materials Committee* (document E/ECE/IM/2. Rev.1); *Report of the Committee of European Economic Co-operation*, and various national statistical publications.

— Nil.

^a Import and export data include hard coal, coke, and small quantities of other manufactured solid fuel, lignite, and brown coal.

^b In the absence of official figures for the entire year, the given figures were calculated by adding to actual net exports and imports, estimates for last few months based on actual data for the latest month.

^c Including exports to countries outside Europe, amounting to 2 million tons in 1946, and less than 2 million in 1947, for French and British overseas territories.

^d Within post-war boundaries. To permit comparison with post-war exports, Polish exports include and German exports exclude 6.1 million tons estimated to have been supplied by Silesian mines to western Germany before the war.

Table 7 (continued)

	Pre-war (1935-38)	1946	1947 ^b	1947 as per cent of pre-war
	(Millions of metric tons)			
Czechoslovakia	2.6	0.4	—	
USSR	1.5	—	—	
TOTAL, including USSR.....	89.2	33.0	35.8	40
TOTAL, excluding USSR.....	87.7	33.0	35.8	41
Net imports ^a :				
France	22.7	10.0	15.7	69
Belgium	0.1	2.2	3.0	3000
Netherlands	2.4	2.8	3.4	142
Czechoslovakia	—	—	0.5	
Austria	3.3	2.4	3.3	100
Denmark	5.7	3.8	4.6	81
Italy	12.2	5.8	10.6	87
Luxembourg	3.1	1.8	2.2	71
Norway	2.8	1.8	2.1	75
Sweden	7.8	3.6	5.1	66
Switzerland	3.3	1.5	2.0	61
Other countries ^f	8.6	3.7	4.3	50
USSR ^g	—	9.0	10.0	
TOTAL, including USSR.....	72.0	48.4	66.8	93
TOTAL, excluding USSR.....	72.0	39.4	56.8	79
Net trade (Exports -; Imports +) ^{ce} :				
TOTAL, including USSR.....	-17.2	+15.4	+31.0	
TOTAL, excluding USSR.....	-15.7	+ 6.4	+21.0	

^a Including imports from the United States amounting to 17 million tons in 1946 and more than 30 million tons in 1947.

^f Includes the following countries: Bulgaria, Finland, Greece, Hungary, Iceland, Ireland, Portugal, Roumania, Spain, and Yugoslavia.

^g From Poland; 1947 figure is a rough estimate.

Imports in the amounts shown above were made possible only by heavy United States exports of coal to Europe. European imports of coal from the United States amounted to 5.9 million tons in 1945; in 1946, they reached 17 million tons, and during the first half of 1947, 16.5 million tons. For the whole of 1947, it appears that imports from the United States may be substantially in excess of 30 million tons. The industrialized countries of western Europe are the chief importers of coal from this source. Large-scale imports of coal from the United States, at an average cost of \$20 per ton (c.i.f.), have been a heavy charge upon the limited dollar resources of these countries.

It is estimated that the supply of hard coal in Europe in 1947, available from domestic production and net imports, will reach about ninety per cent

of pre-war supplies. Several countries which do not have any coal production, or produce on a small scale, had less than ninety per cent of their pre-war supplies of coal in 1947. The supply of coal in 1947 exceeded the pre-war level only in the United Kingdom, where it reached 104 per cent, and in Czechoslovakia, where it amounted to 152 per cent of the 1935 to 1938 average. Further details are shown in table 8.

Table 8
ANNUAL SUPPLY OF HARD COAL IN EUROPE
Pre-war average, 1946 and 1947^a

Pre-war average, 1935 and 1937				1947 as per cent of pre-war
	Pre-war (1935-38)	1946	1947	
<i>(Millions of metric tons)</i>				
Main producers and exporters:				
United Kingdom	192.3	188.5	199.4	104
Poland	44.8	32.0	34.4	77
Germany	<u>107.9</u>	<u>50.5</u>	<u>73.1</u>	<u>68</u>
TOTAL	345.0	271.0	306.9	89
Other important producers:				
France	68.3	57.2	62.2	91
Belgium	28.6	25.0	26.6	93
Netherlands	15.5	11.1	13.6	88
Czechoslovakia	<u>10.7</u>	<u>14.8</u>	<u>16.3</u>	<u>152</u>
TOTAL	123.1	108.1	118.7	96
Other countries	56.1	48.1	49.3	88
USSR	<u>125.8</u>	<u>..</u>	<u>..</u>	<u>..</u>
TOTAL including USSR.....	650.0	..	..	..
TOTAL excluding USSR.....	524.2	427.2	474.9	91

Source: Tables 5 and 7.

.. Not available.

^a Domestic production, plus net imports or minus net exports; does not take account, therefore, of changes in stocks, consumption at the mines, and waste.

Two principal ways of meeting the European coal crisis are: (1) expansion of European coal production, primarily in the Ruhr and Aachen area, in Poland, and in the United Kingdom, to restore the equilibrium between Europe's coal supply and requirements¹; and (2) importation of coal from the United States during the transitional reconstruction period.

SHORTAGE OF METALLURGICAL COKE

The shortage of metallurgical coking coal has affected European reconstruction most seriously, because it has retarded the production of steel and nitrogen fertilizers in industrialized western European countries. The resulting shortages of steel have hampered the engineering industries of these countries; many of the less industrialized European countries are looking to the engineering industries of these countries as a source of supply for needed equipment.

¹ Export availabilities would be increased to the extent that internal requirements do not absorb increased production.

The pre-war demand for hard coke by western European countries was largely satisfied by imports from the United Kingdom and Germany, and, to a small extent, from Belgium. In 1938, imports of coke by France amounted to 2.1 million tons; by Luxembourg, 2.0; Sweden, 1.9; Denmark, 1.4; Switzerland, 0.9; Norway, 0.7; and Austria, 0.7 million tons. After the war, the disappearance of exports from the United Kingdom and the decline in exports from Germany¹ could not be offset by exports from other European sources, except for small quantities of metallurgical coking coal from Poland. The proportion of metallurgical coking coal in United States coal exports to Europe has been very low. As the supply of metallurgical coking coal increases, the shortage of coke oven capacity may prove to be a limiting factor in most countries which imported metallurgical coke before the war. Considerable idle capacity is available only in Germany and Italy.

The planned expansion of 1948 steel production in France and Luxembourg requires larger imports of metallurgical coke than before the war: in France, 7.8 million tons in 1948, as compared with 2.1 in 1938 and 2.2 in 1947; and in Luxembourg, 3.8 million tons in 1948, as compared with 2.0 in 1938 and 1.8 in 1947. In other countries, planned imports are estimated to be about the same as pre-war imports.

The European Coal Organization and the Economic Commission for Europe, when studying this problem, gave consideration to the possibility of increasing imports from the United States and of utilizing idle coke oven capacity. Economies in the use of available supplies of metallurgical coking coal and coke, for uses other than in steel production, as well as economy in the use of metallurgical coke in the steel industry by use of richer iron ore, a higher proportion of scrap, and so forth, have also been under consideration by these bodies.

OBSTACLES TO FURTHER RECOVERY

Many of the obstacles to the restoration of European coal production have their origin in the pre-war condition of the coal industry in European countries. European coal deposits have been relatively costly to exploit, because many coal-fields have irregular, deep, and thin seams, and their more favourable deposits have already been exhausted. In several countries, the marginal cost of many mines exceeded the prevailing price and such mines were kept in operation by subsidies and monopolistic practices.

Two key problems have emerged in the post-war situation as serious obstacles to the recovery of European coal production: (1) the need for mining equipment in the face of a world shortage of such equipment and (2) the need for increasing the size and productivity of the labour force engaged in coal mining.

LABOUR SUPPLY AND PRODUCTIVITY

Since the war, all European countries have been faced with shortages of skilled mine-workers, especially serious to those countries which prior to the war depended upon immigration to meet requirements for coal-miners. France and Belgium met this problem after the war by the compulsory employment

¹ Post-war export surpluses of hard coke from Germany are also affected by boundary changes and the level of industrial activity.

of German prisoners of war in coal mining. A serious situation exists in Germany, because large numbers of German miners are still prisoners of war, working in other countries.

Table 9

INDEXES OF EMPLOYMENT, PRODUCTION AND OUTPUT PER MAN-SHIFT IN HARD COAL MINES IN SELECTED EUROPEAN COUNTRIES

Monthly average 1935-38 = 100

	Employment			Production			Output per man-shift		
	1946 (July)	1947 (July)	1948 (planned monthly average)	1946 (July)	1947 (July)	1948 (planned monthly average)	1946 (July)	1947 (July)	1948 ^a (planned monthly average)
United Kingdom	89	92	93	73	86	92	86	91	95
Poland	119	129	158	80	96	114	58	72	76
Germany:									
British zone	75	90	123	47	60	71	54	56	49
French zone	67	89	..	60	90	110	78	87	..
France	140	143	145	105	103	112	70	68	74
Belgium	112	118	149	75	83	92	58	73	58
Netherlands	117	127	..	73	77	82	53	57	..
Czechoslovakia	126	143	155	100	118	136	73	78	80

Source: European Coal Organization, *Monthly Coal Statistics*; 1948 employment estimates from Economic Commission for Europe, *Report to the Industry and Materials Committee* (United Nations document E/ECE/IM/2.Rev.1.); 1948 production forecast from table 5.

.. Not available.

^a 1948 index calculated on the basis of output per man-shift implied in the 1948 planned employment and production forecast, assuming the number of man-shifts per worker to be the same as in July 1947.

In 1947, pre-war levels of employment in the coal industry were exceeded in all countries except the United Kingdom and Germany, where employment was considerably below its pre-war level. Most countries are planning to increase the labour force in the coal mines in 1948. In the United Kingdom and France, however, the planned increases are small; in the former of these two countries, employment will still be below the pre-war level. Poland is expecting the return of a considerable number of its miners from France and Germany. Countries which have to replace prisoners of war and foreign workers are contemplating large-scale immigration of Italian workers and of displaced persons. France and Belgium have already concluded agreements with Italy for this purpose. New, and for the most part untrained, labour will, however, further reduce the already low average productivity.

The productivity of labour in the immediate post-liberation period was not much above fifty per cent of the pre-war level in most countries. With the slow but steady improvement in the operation of mines and the special measures taken to improve living conditions of miners, productivity reached a level of sixty-eight to seventy-eight per cent of pre-war standards in most countries by July 1947; in the United Kingdom it reached ninety-one per cent. The productivity of labour in German mines, however, was still at fifty-six per cent of the pre-war level as late as July 1947, showing little or no progress over 1946. The high rate of absenteeism and the large proportion of older workers in the labour force continued to affect labour productivity ad-

versely. The targets for coal output and employment for 1948 assume a relatively small further rise in the productivity of labour, except in Germany and Belgium.

Special attention has been paid in all countries to conditions of work and living standards of miners. Various privileges for such workers have been extended continually. Special incentives have been established in several countries to attract new workers. The European Coal Organization,¹ the Coal Mines Committee of the International Labour Organisation,² and the World Federation of Trade Unions³ have been reviewing this problem and have made a number of recommendations for improving the situation. Further improvement in the working conditions of miners, especially with respect to food and housing, appears necessary in order to raise labour productivity and facilitate recruitment of new miners. It is reported that in a number of countries the volume of production tends to vary with the supply of foodstuffs for miners, especially where the general standard of living is low, as in Poland. A somewhat similar situation is also found in the Ruhr and Aachen area.

EQUIPMENT

European coal producing countries are facing a two-fold problem in respect of coal-mining equipment: (1) acquisition of equipment and parts necessary for normal maintenance and for replacement of worn-out equipment during the war, and (2) modernization and mechanization of mines.

Before the war, many European countries depended very largely upon imports of mining equipment from Germany and the United Kingdom. The disappearance of German supplies after the war has created a serious problem, especially where there is a need for spare parts for coal-mining equipment of German manufacture. Production in the United Kingdom is rising, but is absorbed largely by the domestic market. Several European countries have recently begun production of mining equipment, but such production has been limited almost entirely to less complicated component parts.

It is agreed that mining equipment will be in very short supply in Europe for the next several years. In order to maintain their mines at present levels of mechanization, many countries of Europe will have to import substantial quantities of mining equipment from the United States.

Coal production targets for the years 1948 to 1951, which are discussed further below, can be achieved only if supplies of equipment needed for gradual mechanization of the mines, and in addition that necessary for normal maintenance and replacement, become available. The need for equipment is especially acute in Poland and France, and in countries which produce relatively small quantities of coal but are almost entirely dependent on imports for necessary equipment.

The European Coal Organization has been reviewing the requirements for mining equipment and possible sources of supply. The preliminary results of this inquiry are presented, for selected countries, in table 10. The data in this

¹ See European Coal Organization, *Coal Production Report*, 19 June 1947 (MC 106).

² See International Labour Organisation, Coal Mines Committee, second session, *General Report* (Geneva, 1947).

³ See Conference on Coal of the World Federation of Trade Unions, *Report on the Situation of the Coal Industry throughout the World*, Paris, 6 to 8 January 1947.

table represent the estimates of the individual countries with respect to their domestic production and needed imports of mining equipment.

Table 10

PLANNED REQUIREMENTS, PRODUCTION AND IMPORTS OF COAL-MINING
EQUIPMENT IN SELECTED EUROPEAN COUNTRIES, 1948-51

	Domestic production	Imports	Total	Requirements Per ton of coal mined ^a
	(Thousands of metric tons of steel equivalent)			(Kilogrammes of steel)
Belgium	861.3	24.8	886.1	7.72
France	2,519.1	73.2	2,592.3	11.51
Netherlands	79.7	236.8	316.5	6.39
United Kingdom	4,418.6	39.6	4,458.2	4.79
Poland	602.5	85.1	687.6	2.27
Saar	447.2	84.7	531.9	8.75
Germany (Bi-Zone)	1,747.1	35.1	1,782.2	4.28
TOTAL steel tonnage.....	10,675.5	579.3	11,254.8	
	(Millions of U.S. dollar equivalents)			(Dollars)
Belgium	222.3	50.4	272.7	2.36
France	648.9	67.1	716.0	3.18
Netherlands	43.2	56.9	100.1	2.02
United Kingdom	937.0	39.4	976.4	1.05
Poland	253.0	90.8	343.9	1.14
Saar	222.6	97.5	320.2	5.27
Germany (Bi-Zone)	669.2	18.4	687.5	1.65
TOTAL value	2,996.2	420.5	3,416.8	

Source: Economic Commission for Europe, *Report to the Industry and Materials Committee* (document E/ECE/IM/2.Rev.1).

^a Total requirement for 1948-51, divided by planned total coal production for the same period.

It is estimated that about ninety per cent of the total requirements of countries shown in table 10 will be covered by domestic production in the respective countries. As shown in table 11, these countries expect to import a substantial part of their coal-mining equipment from the United Kingdom, Germany and other European countries. Remaining import requirements will need to be met from the United States.

While the requirements for mining equipment for 1948 to 1951 for the three main coal-producing and exporting countries—the United Kingdom, Poland, and Germany (Bi-Zone)—are estimated at \$2,008 million, only about \$150 million needs to be met from imports. In the case of the United Kingdom and Germany (Bi-Zone), imports are only a small fraction of their total requirements, although of a key character. In Poland, however, imports represent more than twenty-five per cent of its total requirements. As shown in table 10, investments in the coal industry in these three countries are the most economical, both in terms of kilogrammes of steel and dollar value of investment per ton of coal mined.

Table 11

IMPORT REQUIREMENTS OF COAL-MINING EQUIPMENT
IN SELECTED EUROPEAN COUNTRIES

By supply source, 1948-51

Supply Source ^a	1948-51	1948
<i>(Thousands of metric tons of steel equivalent)</i>		
Germany (Bi-Zone)	126.8	30.9
United Kingdom	29.9	11.3
United States	159.9	54.8
Other countries	227.7	57.7
TOTAL steel tonnage.....	544.3 ^b	154.7
<i>(Millions of U.S. dollar equivalents)</i>		
Germany (Bi-Zone)	83.0	22.3
United Kingdom	35.8	12.1
United States	136.9	47.2
Other countries	143.0	41.7
TOTAL value	398.7 ^b	123.3

Source: Economic Commission for Europe, *Report to the Industry and Materials Committee* (document E/ECE/IM/2.Rev.1).

^a As stated by importing countries. (See table 10).

^b The discrepancy between this figure and corresponding data in table 10 is caused chiefly by the exclusion of import requirements of Germany (Bi-Zone) in table 11.

PROSPECTS FOR 1948 TO 1951

According to the Secretariat of the Economic Commission for Europe, total requirements for coal in 1947 amounted to 480 million tons,¹ but in 1948, will be about 542 million tons as compared with the average annual supply of 524 million tons in 1935² to 1938. It is expected that requirements will increase further, to considerably above the pre-war level in subsequent years.

Production targets of European coal-producing countries for 1948 to 1951, as shown in table 12, assume that total European coal production will reach the pre-war level by 1949; of the main exporting countries, Poland would reach pre-war production in 1948, the United Kingdom in 1949 to 1950, and Germany in 1951.

Table 12

FORECAST OF EUROPEAN HARD COAL PRODUCTION, 1948-51^a

	Actual 1946	Estimate 1947	Forecast			
			1948	1949	1950	1951
<i>(Millions of metric tons)</i>						
Main producers and exporters:						
United Kingdom	193.1	199.7	214	227	239	249
Poland	47.3	58.9	70	80	80	80
Germany	63.2	84.1	100	112	128	138
TOTAL	303.6	342.7	384	419	447	467

^a Excluding the USSR.

¹ See Economic Commission for Europe, *Report to the Industry and Materials Committee* (document E/ECE/IM/2.Rev.1).

Table 12 (continued)

	Actual 1946	Estimate 1947	Forecast			
			1948	1949	1950	1951
	(Millions of metric tons)					
Other important producers:						
France	47.2	46.5	51	53	58	63
Belgium	22.8	23.6	27	28	30	31
Netherlands	8.3	10.2	11	12	13	13
TOTAL	78.3	80.3	89	93	101	107
Other countries ^b	29.9	30.9	43	48	49	53
TOTAL	411.8	453.9	516	560	597	627

Source: Economic Commission for Europe, *Report to the Industry and Materials Committee* (document E/ECE/IM/2.Rev.1) and *Report of the Committee of European Economic Co-operation*.

^b Including Czechoslovakia; planned production of Czechoslovakia for 1948 is 18 million tons.

The over-all position for the four years is summarized in table 13.

Table 13

PRELIMINARY ESTIMATE OF EUROPEAN HARD COAL DEFICIT 1948-51^a

	1948	1949	1950	1951
	(Millions of metric tons)			
Requirements	542	569	600	627
Production	516	560	597	627
Deficit ^b	41	24	18	15

Source: Economic Commission for Europe, *Report to the Industry and Materials Committee* (document E/ECE/IM/2.Rev.1).

^a Excluding the USSR. For most countries, requirements and production are from the plans of the countries concerned. When no official data are available, estimates calculated on a comparable basis have been used.

^b The deficit in each year is 15 million tons higher than the difference between requirements and production, because of estimated exports to that amount by certain European countries to areas outside Europe, and to USSR, comprising mainly United Kingdom and French exports to dependent overseas territories and Polish exports to the USSR.

According to the above estimate, the net coal deficit of Europe will amount to about 41 million tons in 1948, and will gradually decline to about 15 million tons by 1951. The complete elimination of the deficit depends on progress in modernization and mechanization of European coal mines beyond the levels necessary for realizing the production targets for 1948 to 1951 (as set forth in tables 10, 11 and 12) and possible further economies in the use of coal.

Chapter 3

THE WORLD TRANSPORT SITUATION¹

THE EFFECT OF THE WAR

The Second World War inflicted heavy damage on all means of transport and disrupted communication facilities in Europe and Asia. New military techniques and methods in the conduct of the war, and systematic demolition of plants and equipment by Germany and Japan and their allies, caused great material destruction to transport and communication bases.

DESTRUCTION IN EUROPE

The European countries lost about thirty per cent of their merchant marine tonnage. The greater part of the motor vehicles in use before the war were destroyed or disabled. More than fifteen per cent of the railway rolling-stock was fully destroyed, forty per cent was damaged, and six hundred thousand waggons were displaced. Thousands of miles of railway lines, a great many railway and highway bridges (well over half of the pre-war number in certain countries), large and small stations, locomotive sheds, construction facilities, repair shops and other buildings, and harbour installations, as well, were either destroyed or incapacitated. Spare parts and materials were also either seized and removed, or destroyed.

During the course of the war, the repair of railway and port facilities and equipment was inadequate, sometimes impossible, while the means of communication had to be operated at an intensified rate that resulted in excessive wear. Stocks of solid and liquid fuels and lubricants were exhausted, and production was at a standstill. To the material destruction must be added the loss of many thousands of trained transport workers who perished as a result of military action—air raids, in particular—or died in concentration camps.

All these factors led to an almost complete paralysis of transport in many countries in Europe, especially in eastern and south-eastern Europe where the destruction was particularly heavy. In the USSR alone, 65,000 kilometres of railway lines, 13,000 bridges, 4,100 stations, 428,000 waggons, and 15,800 locomotives were destroyed. In Poland thirty per cent of the railway lines, seventy per cent of the large bridges, forty-two per cent of the locomotives, ninety-two per cent of the passenger cars, and ninety-eight per cent of the freight cars were either destroyed or removed. Yugoslavia lost seventy-six per cent of its locomotives and eighty-four per cent of its cars, as well as all steel bridges and eighty-one per cent of those made of reinforced concrete.

In spite of the limited means of transport and the lack of fuel and skilled man-power, it was necessary to move important military freight and to transport basic commodities, particularly foodstuffs, for the civilian population.

During the first months after the liberation, the volume of freight declined in all European countries, even where destruction was less intensive than in

¹ Prepared by the Transport and Communications Division of the Department of Economic Affairs of the United Nations.

eastern Europe. For instance, in Belgium it dropped to twenty-one per cent, in France to thirty-six per cent, in Austria to seventy-four per cent, and in Hungary to as little as eleven per cent of the pre-war volume. In Yugoslavia, Albania and Poland, all means of inland transport were practically inactive during the first months following the liberation.

DAMAGE IN ASIA

Significant although less devastating injury was caused to the transport facilities of the countries of the Far East. In China proper, exclusive of the north-eastern provinces and Taiwan, seventeen per cent of the railways were either destroyed or dismantled, and ten per cent of the rails and twenty-five per cent of the passenger coaches needed replacement. The quantity of rolling-stock after the defeat of Japan roughly equalled that in use in the smaller territory under National Government control in 1939; but an important part of the railway stock—about half of the locomotives, forty per cent of the passenger cars, and one-third of the freight cars—was reported damaged and seriously in need of repair. Furthermore, it should be noted that the greater part of the Chinese railway network is in the north-east, the principal theatre of the civil war, and is being used very largely, so far as it can be operated at all, for moving troops, arms, and munitions. Hence it continues to be exposed to destruction and deterioration.

More than eighty per cent of the Chinese merchant marine, a large proportion of the junks and fishing boats, over half of the motor vehicles, and about seventy per cent of the highways were seriously damaged, in part completely destroyed, by military action.

Malaya's railway system suffered intensely from air raids and from confiscation by the Japanese of one-fourth of the total length of rail, of many bridges, of one-third of the pre-war stock of locomotives, and of other rolling-stock. This confiscated material was transferred to Siam, whose transport system sustained some losses. In Burma most of the internal waterways were put out of commission.

The transport system of Indonesia suffered significant losses during the war and has been further damaged in the recent fighting between Indonesian and Netherlands forces.

The transport system of the Philippines was also ruined, but the inter-island shipping fleet was rehabilitated during the course of military operations by the United States Army and Navy.

REHABILITATION PROBLEMS AND PROGRESS

A major problem in most countries of Europe and Asia, in the first months after their liberation, was the rehabilitation of the means of transport as a basis for the revival of their internal economy and for the restoration of the international economic ties severed by the war. This rehabilitation proceeded at varying rates in the different countries. It was rapid, on the whole, in countries capable of producing the needed equipment, such as Czechoslovakia, France and the USSR, and also in those countries which did not suffer heavy losses to their transport systems (e.g., Belgium and Denmark), and which received substantial external assistance in the form of transport equipment or loans for purchase of such equipment, mainly from the United States, the

United Kingdom and Canada. On the other hand, in such heavily devastated European countries as Albania and Yugoslavia, which had inadequate facilities, or none at all, for producing the needed equipment, and in which the external aid received, including that from UNRRA, was insufficient to meet the needs, reconstruction of the transport systems proceeded with much more difficulty.

EUROPE

By mid-1947 the preliminary process of rehabilitation of the main branches of European transport had been completed; railways, road transport, and, to a lesser degree, inland water transport had begun to function normally; the tempo had increased, and the volume of freight traffic was greater.

In July 1947, railway freight traffic in almost all the European countries exceeded the pre-war level, as is shown in table 14.

Table 14

RAILWAY FREIGHT TRAFFIC IN EUROPE	
Mid-1947 as percentage of 1938 monthly average ^a	
Austria	122.2
Belgium	105.8
Bulgaria	146.7
Czechoslovakia	112.2 ^b
Denmark	136.2
Finland	134.2
France	145.9
Hungary	91.8
Netherlands	98.3
Norway	98.4
Poland	134.8

Source: Statistical Office of the United Nations, *Monthly Bulletin of Statistics*, No. 10, 1947.

^a Bulgaria, Czechoslovakia and Norway, May 1947; Belgium and Denmark, June 1947; other countries, July 1947.

^b Percentage for Czechoslovakia is based on 1937 monthly average.

When the great damage inflicted on the railways of Czechoslovakia, France and Poland is taken into account, the reconstruction of their transport systems appears especially successful.

The increases in railway freight traffic that have taken place in spite of acute shortage of rolling-stock have been achieved by improvement in operating efficiency, and especially by accelerating the turn-around of rolling-stock, and by relaxing somewhat the operational requirements and safety regulations pertaining to freight and passenger traffic. These factors may, however, involve a more rapid depreciation of equipment, especially if the lack of proper maintenance and repair during and after the war is taken into account. For instance, on the French railways, freight-car loading is now 135 per cent of the 1938 rate. Similar conditions prevail on railways in Czechoslovakia.

Merchant marine traffic, gauged by the tonnage of vessels in external trade which entered port with cargo during the third quarter of 1947, has not, except in the case of Denmark, attained pre-war levels in those European countries which participated in the war (see table 15 on page 220).

Table 15

TONNAGE OF VESSELS ENTERED WITH CARGO
Average of third quarter 1947 as percentage of 1938
monthly average

Belgium	84.2
Denmark	103.6
Finland	90.5
France	53.1
Netherlands	49.2
Norway	90.5*
Poland	54.8
United Kingdom	74.2

Source: Statistical Office of the United Nations, *Monthly Bulletin of Statistics*.

* Average for July and August 1947.

ASIA

Notwithstanding the fact that the scope of destruction in the countries of the Far East was considerably less than in European countries, the rehabilitation of their transport is progressing much more slowly. The internal warfare waged in several countries of Asia and the Far East prevents concentration on problems of rehabilitation and development of transport. Since relevant industries are generally lacking in these countries, transport facilities, equipment and material can only be supplied from the outside, e.g., from the industrially developed countries of Europe and America. All, or almost all, the needy countries have little money for such purchases; therefore their transport rehabilitation will be possible only with the help of foreign loans and material supplies.

UNRRA rendered great help to some of these countries. China obtained locomotives, cars, vessels, road-building equipment, motor vehicles, telegraph and telephone equipment, etc. Some ships were turned over by the United States from Navy surplus, some were leased from British shipping companies, and some vessels were bought in the United States and the United Kingdom. The total tonnage available at present is about the same as before the war, but falls short of China's actual needs. An attempt is being made to restore port facilities. The telecommunication system has been only partially restored.

Korea's transport was rehabilitated by the authorities of the two military governments in their respective zones, but until now there has been no exchange of goods and no communication between the industrial north and the agrarian south; trade and transport connexions with other countries are practically non-existent.

Malaya's transport was rehabilitated to a great extent, except for part of the railway equipment used by the Japanese for the construction of the Burma to Siam railway, which has not been fully recovered. This rehabilitation was effected by the British Military Administration. Some locomotives, cars and motor vehicles were obtained from American surplus property; some were ordered from the United States and Great Britain. Port facilities have been almost completely rehabilitated, but the operation of the railways is seriously hampered by lack of coal.

Damages to Indonesia's transport and communication facilities can be

repaired in part by local efforts. The highway system is inadequate, however; the roads are in poor condition and their improvement is beyond the country's means. Conditions in inland water transport, which plays a very important role in the economy of Indonesia, are very unsatisfactory. The shortage of transport facilities is acute; although an attempt was made to produce wooden vessels after the war, the lack of timber, skilled labour and food were serious handicaps to reconstruction.

The railways of the Philippines are now operating almost normally but are handicapped by a serious shortage of rolling-stock. The number of motor vehicles was increased by the purchase of military surplus from the United States. The port and harbour equipment of the Philippines, as a result of repair work and new installations by the United States Army, offers greater facilities than before the war. Part of this, however, is of a temporary nature. Notwithstanding the purchase of United States Army and Navy vessels, shipping continues to be a bottle-neck in the economic rehabilitation of the country.

The Pacific islands are experiencing difficulties in the repair and building of small vessels, their main transport equipment, as a result of the destruction of the few shipyards which were there before the war.

Insufficient inland transport facilities in the countries of the Far East and South East Asia, particularly in China, India, Burma, and Siam, are largely responsible for the faulty distribution of foodstuffs that has contributed to the prevalence of famine conditions in districts to which food could not readily be moved from neighbouring areas.

The transport system of Japan was well developed before the war, but because of lack of upkeep and the critical shortage of fuel, the present rail and water transportation facilities are overloaded and crowded. The merchant marine of Japan, the most developed in Asia before the war, is completely ruined, and its rehabilitation is proceeding very slowly.

India plans to build its own ocean merchant fleet, but negotiations with the United Kingdom concerning technical assistance have not as yet had concrete results.

The Siamese Government has adopted a three-year road-building plan to improve overland transport.

In conclusion, although the transport system in most countries of Europe and Asia is still affected by the war and is still handicapped, especially by shortages in rolling-stock, steel and fuels, its condition, by and large, no longer constitutes a serious obstacle to the conduct of international and domestic commerce.

INTERNATIONAL AGENCIES

In many European and in some Asian countries a large part of the transport rehabilitation effected is to be credited to UNRRA assistance and to the activities of such specialized organizations as the European Central Inland Transport Organization and its affiliated organs. UNRRA helped Albania, Austria, Byelorussian SSR, China, Czechoslovakia, Greece, Italy, Poland, Ukrainian SSR, Yugoslavia, and, in some degree, other countries as well. UNRRA's help in this field consisted in supplying locomotives, cars, trucks, rails, boats, materials for repair, fuel, etc.

The European Central Inland Transport Organization (ECITO), the

European Coal Organization (ECO), and the Emergency Economic Committee for Europe (EECE) performed a great task. The work of these European inter-governmental organizations is being continued at present by the Economic Commission for Europe (ECE) and by its committees, specifically the Inland Transport Committee.

The creation of the United Nations Economic Commission for Asia and the Far East will be of assistance in the rehabilitation, development and improvement of means of communication in this area.

Delays in the process of rehabilitating the transport system and the general economic structure have meant that the disruption of trade relations that took place during the war has not as yet been satisfactorily overcome. Transport difficulties have hindered the distribution of such colonial products as rubber and rice from south-east Asia, cotton and jute from India, citrus fruits from Palestine, coffee from Africa, various agricultural products from Algeria, and wheat, coffee, cocoa, and other products from Latin America.

Although many factors in addition to transport difficulties, such as lack of fuel and raw materials, have caused unemployment, as for example, in Italy, and have interfered with the exchange of commodities between urban and rural districts, as in France and Germany, the re-establishment and development of transport systems assumes particular importance at present because of the economic interdependence of nations and the greater necessity for commercial interchange.

COMPARISON WITH PRE-WAR STATUS

The new political map of the world, the new political and economic relationships which are emerging, the decline of certain centres of production and consumption and the growth of others, have opened new channels for trade and supply. This, in turn, has changed the course of freight movements and the inter-relations among various means of transport.

TRADE AND SUPPLY

In 1946, the international trade of the European continent was smaller than in 1938 in terms of dollar value and even more so in quantum. The trade of other parts of the world, and of North America in particular, has increased substantially. Today, the United States constitutes the principal source of world supply of manufactured goods, fuel, and foodstuffs of which there is great shortage in Europe generally and in large parts of Asia. The geographical pattern of transport of goods throughout the world is of necessity influenced by the factors behind the changes in the world trade picture.

In the Far East, the most important change has been caused by the disappearance of Japan as a principal trading country. Asian markets are no longer supplied with low-priced merchandise manufactured in Japan. These goods have been replaced by articles imported from other countries, e.g., the United States and the United Kingdom, or supplied by the craftsmen and industrial workers of Asia. The Japanese merchant marine has practically vanished, yielding to ships of the Netherlands, Norway, the United Kingdom, and the United States. Continuing warfare in China, especially in Manchuria, in Indonesia, and in Indo-China, is depriving Asian and world markets of many articles which were produced in these countries.

The principal factor of change in Europe is the disappearance of Germany as the chief supplier of manufactured products and of coal, and as the chief consumer of raw materials and foodstuffs. The production of coal in western Germany is still some forty per cent below its pre-war figure. Coal mining in the Ruhr and Aachen region in July 1947 was less than sixty per cent of average monthly production in 1935 to 1938. Furthermore, England, formerly in competition with Germany, is not in a position to supply the European market with coal, its 1947 output, including opencast coal, falling some thirteen per cent short of the pre-war average.¹

The United States and Poland are now the chief coal suppliers, although the scarcity of freight cars in the United States has affected production by restricting coal loadings.

EUROPEAN FREIGHT MOVEMENT

Shipment of coal, the chief cargo of European inland transport, has altered its pre-war course, and the whole transport picture in Europe has changed. In normal times, European inland transport was largely utilized for the routing of manufactured products and coal from the west to the east, south-east and south of the European continent, and for carrying raw materials and foodstuffs in the opposite direction.

At present, coal from Silesia, which before the war found no markets in the west, is competing with American coal and coal from Westphalia and the Ruhr. Finished products are no longer routed from western to eastern and south-eastern Europe, and raw materials and foodstuffs are no longer diverted to the west. Today, the western countries are receiving finished products, as well as raw materials, from Czechoslovakia, Poland and the USSR; and in other eastern and south-eastern countries of Europe local conversion of raw materials and export of finished or semi-finished products are envisaged in the plans that have been or are being drawn up for the industrialization of these countries.

Polish coal shipments are directed towards Austria, Belgium, Czechoslovakia, Denmark, Finland, Italy, Luxembourg, the Netherlands, Norway, Portugal, Sweden, Switzerland, Yugoslavia, and the USSR zone of occupation in Germany. Coal supply routes to the various countries frequently intersect each other. These cross-hauls result in such things as higher transport rates, overloading of cars and waste of fuel. Although ECITO partially succeeded in reducing the number of reverse loadings, the situation could not be regularized because imports and exports depend primarily on reciprocal economic and political relations.

The destruction of Germany's transport system, as well as the division of Germany into four zones, also renders the transit of goods across the European continent more difficult.

As a consequence, on the one hand, of destruction and, on the other hand, of changes in the political status of certain European ports—Stettin, Danzig, Trieste, and others—the routing of freight trains to and from the seacoast has also been greatly modified.

An example of this modification is offered by the Netherlands. Because

¹ For further details concerning coal production and shipments, see the preceding chapter, "The European Coal Situation".

of its situation at the mouth of the Rhine, the central artery of a wide-flung network of waterways serving a large part of western and west-central Europe, this country normally holds a key position in the two-way flow of goods into and out of that region and adjacent central and east European areas. The disruption of this flow consequent on the dissection of Germany into separate occupation zones, the great decline in German production, heavy damage to the ports of Rotterdam and Amsterdam, as well as loss of forty per cent of the Netherlands railway network, has brought about the paralysis of the Netherlands Rhine fleet, with resultant repercussions on the country's economy.

The establishment of Trieste as an autonomous state has led to a drop in freight traffic via the port of Trieste, partly because it has caused Yugoslavia to intensify development of its Adriatic ports, particularly Fiume (Rijeka).

MERCHANT MARINE TONNAGE

Great changes in the tonnage of the world merchant marine, resulting in marked shifts in its geographical distribution, have taken place.

During the war, owing to the huge development of shipbuilding in the United States, the world merchant marine not only did not diminish, but increased, in spite of heavy losses at sea. In 1947 the merchant fleet of the world amounted to about 77 million gross tons, exceeding the pre-war figure by about 8 million gross tons. Many of the ships were faster and more modern.

The most significant change in the distribution of the world tonnage among the maritime nations is the increase in the share of the United States from less than seventeen per cent in 1939 to over fifty-two per cent in 1947. British Empire tonnage, which before the war was nearly double that of the United States, is at present less than half as large as the United States tonnage, its share in the world total having dropped from thirty per cent to less than twenty-three per cent between 1939 and 1947. The merchant fleets of Japan, Germany, and Italy were almost annihilated. The Japanese fleet, which held third place before the war, has shrunk to approximately one-fifth of its former size and now occupies eighth place. The Italian fleet has decreased to one-fifth of its pre-war tonnage, and the German fleet to less than one-sixth. Large reductions have also taken place in the merchant tonnage of Norway, Denmark, the Netherlands, France, and Greece, as shown in table 16.

Although the merchant tonnage in existence in the world is considerably larger than before the war, the tonnage in actual use is smaller. In the United States alone, in mid-1947, vessels aggregating 11 million tons, i.e., over one-fourth of the recorded tonnage, were reported "in reserve".

The greater part of the United States merchant fleet is government-owned. In 1939, the fleet comprised 1,236 vessels of 10.2 million tons dead weight, owned by private companies. On 31 March 1947, the corresponding figures were 780 vessels of 8.7 million tons dead weight, a reduction of thirty-seven per cent in number and fifteen per cent in tonnage. The privately owned fleet was largely rejuvenated between 1939 and 1947, judging by the fact that seventy per cent of dry-cargo tonnage and sixty-three per cent of the tanker tonnage owned by private companies is less than ten years old.

Table 16
WORLD TONNAGE OF MERCHANT FLEETS
1939 and 1947

	1939 (Thousands of gross tons)	1947
United States	11,500	40,500
Seagoing	9,000	27,000
In reserve	—	11,000
Great Lakes	2,500	2,500
British Empire	21,000	17,500
Japan	5,600	1,100
Norway	4,800	3,400
Germany	4,500	700
Italy	3,400	700
Netherlands	3,000	1,900
France	2,900	1,700
Greece	1,800	700
Sweden	1,600	1,700
USSR	1,300	1,200
Denmark	1,200	700
Spain	900	900
Others	5,000	4,300
WORLD TOTAL	68,500	77,000

Source: Fairplay, July 1947, page 36.
— Nil.

According to shipbuilding statistics, which exclude the USSR, Germany and Japan, the merchant tonnage under construction at the end of the second quarter of 1947 totalled 3,855,000 tons, made up of 2,300,000 tons of motor ships and 1,555,000 tons of steamships. The United Kingdom was building more than half of this total tonnage. The United States, whose shipbuilding activity has declined rapidly since the war, was building less than five per cent of the world tonnage under construction. The above world figure of 2,300,000 tons of motor ships includes 51 tankers, totalling 450,000 tons, of which 25 were under construction in the United Kingdom and only one in the United States. The world figure of 1,555,000 tons of steamships includes 13 steam tankers, of which 7 were under construction in United Kingdom shipyards, 4 in France, and 2 in the United States.

While the total of the world's merchant tonnage as shown above is considerably larger today than before the war, when, in the opinion of experts, eighty-five per cent of the smaller tonnage then in existence would have been sufficient to carry the sea traffic, a good many of the maritime nations plan substantial increases in their tonnage. The Government of the United Kingdom, for example, endeavours to foster expansion of Britain's shipbuilding as one of the country's principal export industries. The success of these endeavours is attested by the fact that, by the end of September 1947, the tonnage under construction in British shipyards exceeded by more than 1,100,000 tons the December 1938 figure of 780,000 tons.

Considerable success has also been achieved in the rehabilitation—so far mainly in the nature of repairs—of the fleets of Denmark, the Netherlands, Norway, and various other countries.

In Paris, the Committee of European Economic Co-operation, in discussing the plan for European recovery, pointed out that transport is one of the key factors in the rehabilitation and development of the economy of the sixteen countries concerned. The plan provides, in particular, for the "restoration of the pre-war merchant fleets of the participating countries by 1951". The Committee also stated that importing of vessels from the United States "is essentially temporary".

Apart from receipts by various countries from the United States in earlier phases of the ship-disposal programme, the maritime nations estimate that under the European recovery programme they require about two million dead-weight tons of vessels from American surplus stocks. At present the shipbuilding programmes of these countries total about three million tons. By the end of the proposed aid period in 1951, these nations would have more tonnage than they had before the war.

India, other countries in Asia, and some Latin American nations aim at creating substantial merchant marines of their own. The Greater Colombia Merchant Marine, an international shipping corporation, has been established by the joint effort of Colombia, Ecuador and Venezuela.

The United States Maritime Commission has authorized the sale of war-built vessels, raising the total of such vessels disposed of to 1,555 by the end of the third quarter of 1947. Of this total, 481 vessels had been approved for sale for American-flag operation and 1,074 for foreign-flag operation divided among thirty nations.

According to recent statements in United States shipping circles, there is at present an acute shortage of tankers available for use in the United States—Gulf Coast—North Atlantic service and also on the Caribbean—North Atlantic route. During the war the United States Government built 481 tankers, of which 267 have been disposed of and delivered, leaving 214 in the hands of the United States Maritime Commission.

Before the war, the United States had at its disposal 127 passenger ships, compared with only 63 at present. President Truman's advisory committee has urged a merchant ship construction programme, including the building of 46 passenger liners over a four-year period.

AVIATION

Aviation is steadily gaining in importance as a means of carrying passengers, baggage, mail, and also freight. An especially important role is played by aviation in the transport service in Brazil and among Latin American countries, as well as in vast areas of Africa and Asia with little-developed means of surface communication.

The principal international organization in the field of aviation, the International Civil Aviation Organization (ICAO) is endeavouring to establish a general international code governing commercial rights in civil aviation. Preparatory work has been done on a multilateral air agreement, the realization of which, however, has met with initial difficulties arising from divergences of opinion that manifested themselves at a conference convened by the

ICAO in Geneva in November 1947, attended by representatives of thirty-three Governments.

GOVERNMENT CONTROL

During the war, comprehensive operational control of the means of communication and transport was applied practically everywhere as an essential part of the general economic control exercised by governments. During the subsequent period of transition from war to peace economy it was often found necessary, particularly in those countries whose economy had been seriously weakened by the war, to maintain transport control in force while adapting it to changed situations, especially to facilitate the work on economic rehabilitation and reconstruction. In the United States and other American countries, such relatively lenient transport control as had been introduced during the war was abandoned very soon afterwards. Here the transport difficulties are minor in comparison with those in Europe and Asia and since the war have been dealt with, on the whole, by voluntary action.

The chief media of transport, especially the railways, are becoming nationalized in more and more countries. Long before the war, state ownership of part or the whole of the railway network was common all over northern, central, eastern, and southern Europe. Subsequently, railway transport has been nationalized in the greater part of western Europe also—in the United Kingdom, from 1 January 1948—and in many countries in other parts of the world.

At the end of 1947 it was estimated that in the world as a whole, nearly sixty per cent of the railway transport system was government-owned or government-controlled, the percentage varying in different parts of the world as follows: Australia and New Zealand, ninety-six per cent; Europe and Asia, about ninety per cent; Africa, seventy-seven per cent; South and Central America, sixty-seven per cent; North America, exclusive of the United States, fifty-six per cent. In the United States, accounting for a major share in the world's total rail mileage, no part of the railway system is nationalized.

It should be noted that by contrast to nationalization of privately owned means of transport, state ownership of railways in particular has existed from the introduction of machine-powered land transport in those countries where the government has undertaken as a part of a policy of economic development to build railways itself, or to finance their construction from state funds raised in part by taxation, but mainly by borrowing at home and abroad. Such direct establishment of railways by the State has been, and is being, pursued in various countries of Europe with an initially low rate of local capital accumulation, and in under-developed countries in Asia, Latin America, and elsewhere.

Nationalization of privately owned means of transport differs in external character, though not necessarily in fundamental ultimate purpose, from the above. Its immediate motivation varies from case to case, the aims most frequently advanced in post-war years being to avert economic collapse, to speed up reconstruction and recovery and assist in future economic development, to substitute co-ordination for haphazard competition among the various branches of transport, and thus to promote efficiency of operation of the transport system as a whole.

The highly developed railway system built up by private capital in the United Kingdom became public property on 1 January 1948, when the Transport Act nationalizing the railways as well as the London Passenger Transport

Board, many canals and other adjuncts of the railway network, took effect. The four large systems formed from 120 railways shortly after the First World War are now merged into a single national organization, the "British Railways". The approximately 1,000,000 shareholders in the four railway concerns and in the London Passenger Transport Board, the inland waterways, hotels, docks, and other services affiliated with the railways, whose aggregate stock had a market value of about £1,000,000,000, received in exchange British Transport three per cent guaranteed stock, maturing in 1978 to 1988.

Measures of nationalization, extended to include other means of communication and transport, in addition to railways, have been adopted in post-war years, or are being contemplated in various other European countries. Thus, in Yugoslavia, a law for the nationalization of all the principal means of transport was adopted in December 1946, and in Czechoslovakia a bill to nationalize motor transport on land, and river transport on the Elbe, Oder, and Danube river ports, etc., was under consideration at the end of 1947.

Nationalization of railways in Argentina, involving their purchase from British shareholders and other British creditors, took place in 1946 and 1947.

REQUIREMENTS FOR TRANSPORT REHABILITATION AND DEVELOPMENT

As shown in a subsequent chapter "Progress of Economic Development", the general economic plans that have been drawn up or are being prepared in a great many war-devastated or economically under-developed countries are practically all devoting particular attention to transport requirements.

The shortage of transport rolling-stock in Europe has made itself most seriously felt as regards motor vehicles, locomotives, passenger coaches, and cars for hauling coal. The lack of coal cars is largely accountable for the bottle-neck in coal production, which in turn is one of the main obstacles facing the engineering industry on the European continent, already gravely weakened by the war and incapable as yet of satisfying the demand for the equipment and parts needed for replacements, maintenance and repairs. The shortage of ordinary freight cars, while persisting on the continent of Europe, appears less acute than in the first year or two of the post-war period, though the railways are now handling more carloads of freight than before the war. These various deficiencies point to the most immediate requirements for mitigating the difficulties with regard to operational material under which European land transport is working. A further critical requirement is the need for improved supplies of liquid fuels and lubricants, still markedly inadequate.

The almost complete absence, in the devastated and under-developed Asian countries, of industrial facilities for production of the equipment and material needed for the rehabilitation of their transport systems, makes them highly dependent on the supply of such goods from overseas. Present conditions do not seem propitious for rapid materialization of these supplies in requisite amount. Transport rehabilitation in that part of the world may therefore take considerable time.

RECOMMENDATIONS FOR INTERNATIONAL ACTION AND AGREEMENTS

Recommendations for international action that have been made by international bodies of transport experts at meetings held during the past year stress the importance of continuing the census-taking of rolling-stock on Europe's railways in order to identify it for restitution to the legitimate owners. This

work was begun by the European Central Inland Transport Organization, whose functions have been assumed by the Transport Committee of the Economic Commission for Europe. The importance has also been stressed of intensifying and improving the utilization of the rolling-stock of the different countries in Europe by prompt return of freight cars to their country of origin, and by establishing pools to reduce empty freight-car movement as well as cross-hauls of coal and other goods between widely dispersed points on the European continent. The Transport Committee of the Economic Commission for Europe has made recommendations to European Governments regarding periods for loading and unloading cars. Other vital tasks for its consideration are the taking of a census of inland-waterway and harbour craft, study of the need for and methods of improving the maintenance, repair, and renewal of Europe's inland transport equipment, and study also of the question of standardization and modernization of rolling-stock.

Shipping, except for much of the coastwise navigation, is essentially international in character and is governed by a large number of international conventions and agreements. There are several international organizations dealing with particular aspects of shipping, though in a rather unco-ordinated manner, in the absence of any central inter-governmental organization comparable to those existing in other important fields of communication, such as postal service, telecommunications, and aviation. However, on the recommendation of the Transport and Communications Commission, the Economic and Social Council has authorized the holding of an international shipping conference in 1948 to provide an opportunity for interested Governments to examine the possibility of establishing an inter-governmental world-wide shipping organization. The conference is also to consider whether the scope and purposes of the proposed organization should include the removal or prevention of unfair restrictive practices by shipping concerns. The United Maritime Consultative Council has prepared a draft convention to serve, together with comments and proposed amendments submitted by Governments, as a basis for discussion. The draft convention foresees that the proposed inter-governmental maritime consultative organization "shall be brought into relationship with the United Nations in accordance with Article 57 of the Charter of the United Nations, as a specialized agency in the field of shipping".

Important recommendations bearing on the international aspects of the problems of transport and communications have been made by the International Chamber of Commerce (ICC), which from the outset of its activities¹ has paid special attention to these problems, and also by the International Labour Organisation. The ILO recommendations concern the co-ordination of inland transport in particular. Significant matters covered by ICC recommendations are urgent representations to carriers, exporters and importers to take joint measures to speed up transport of perishable goods and to take proper care of such merchandise in transit, requests to Governments to respect the rights of transport users, and in particular their right to choose the means of transport that best suits their needs, suggestions to improve the turn-round of vessels, and simplification of passport regulations and frontier formalities. The question of frontier formalities was given detailed consideration by a meeting of government experts convened in Geneva by the United Nations in 1946.

¹ The International Chamber of Commerce was established shortly after the First World War.

Chapter 4

WORLD MAN-POWER PROBLEMS

Contributed by the International Labour Organisation

Today, more than ever before, the solution of the man-power problems confronting the nations of the world is recognized as an urgent issue of national and international social policy. Full employment has been realized over large parts of the world. The immediate transition to peace has been accomplished without the large-scale unemployment which many had feared. Nevertheless, serious man-power bottle-necks now exist in widely scattered countries in differing stages of industrial and agricultural development. All countries lack a sufficient number of many kinds of skilled workers; some countries have an over-all shortage of labour; in other countries, man-power is being wasted through unemployment or under-employment. These problems constitute an obstacle to the advance to an expanding world economy with rising living standards, which must provide the framework for realizing the social objectives of the people of each country.

* * *

In Europe, a good many countries are at present experiencing an acute shortage of man-power. This is due, in part, to the implementation of large-scale reconstruction programmes, which necessitate the use of all available workers and create a heavy demand in certain industries, such as building. Moreover, there is a general shortage of skilled workers in all European countries. Finally, the lack of workers in certain key industries, especially in coal mining, is keenly felt throughout the economy of the countries concerned, for the resulting shortage of coal is an obstacle to progress in virtually all other industries. There is therefore a problem of overcoming the general shortage of man-power, of finding or training a sufficient number of skilled workers, and of meeting the urgent man-power needs of key industries.

Table 17 shows estimates of man-power requirements in a number of European countries, classified by branches of economic activity. It should be noted that these figures have been computed in a variety of ways and are therefore not closely comparable. They should be regarded rather as rough indications of present man-power needs.

In certain other European countries, however, there is severe unemployment. In Italy nearly two million workers are reported to be without jobs. There are some 520,000 displaced persons available for work, in camps located in Austria, Italy, and the British, French, and United States occupation zones in Germany. The Netherlands have a surplus of 40,000 agriculturists. Certain countries of eastern Europe have indicated their willingness to allow emigration on a small scale from their territories.¹

¹ Czechoslovakia has concluded agreements with Bulgaria and Roumania providing for the immigration into Czechoslovakia of agricultural and forestry workers. Sweden has an agreement with Hungary for the immigration of Hungarian workers. Greece has set up a committee to study the whole question of migration.

Table 17

**ESTIMATED MAN-POWER REQUIREMENTS OF CERTAIN EUROPEAN COUNTRIES
BY INDUSTRIES^a**

	Agriculture and forestry	Mining	Manufacturing	Building	Transport	Domestic service	Others	Total
	<i>(Thousands of workers)</i>							
Austria ^b	50	1.5	15	8	1	5.5	22	..
Belgium ^c	6	25	11.5	15	—	4	—	61.5
Czechoslovakia ^d	220	10	57	70	—	—	2	359
Finland ^e	42	0.2	20.7	11.7	1.4	—	9	85
France	230	55	45	40	10	—	—	380
Luxembourg ^c	4.2	—	0.3	0.5	—	0.4	—	5.4
Netherlands ^f	—	6	77	7	—	4	—	..
Norway ^g	8	—	11.9	—	3.8	—	5.3	..
Poland ^h	—	114	170	80	20	—	80	..
Sweden ⁱ	23	4	85	25	4	12	12	..
United Kingdom ^j	55	5	30	—	—	—	30	120

Source: Based on table compiled by the Economic Commission for Europe (ECE), *Report to the Industries and Materials Committee*, United Nations document E/ECE/IM/2, Rev.1, 5 November 1947, pages 116 to 119.

.. Not available.

— Nil.

^a The figures quoted relate in some cases to immediate needs and in others to requirements spread over one or more years. In certain cases totals are not available.

^b Estimated immediate needs, computed from monthly data for first six months of 1947 showing the number of vacancies and applications registered. The figures are probably on the high side, especially in the case of agriculture.

^c These figures were obtained from "Replies to the Paris Conference Questionnaire".

^d The figures for Czechoslovakia relate to the man-power required for the implementation of the Two-Year Plan, spread over 1947 and 1948.

^e Man-power needs according to the plan for 1946; no more recent data available.

^f These figures (all groups except domestic service), represent additional man-power stated to be needed by undertakings having sent returns to the Central Statistical Office, but cannot be considered as a measure of total requirements. In the case of domestic service, the figures represent net vacancies registered with the Labour Exchanges.

^g Figures obtained by comparing in some cases planned figures for the summer of 1948 with corresponding figures for 1947 and planned figures for the winter of 1948-1949 with those for the winter of 1946-1947, so as to eliminate, so far as possible, figures affected by seasonal fluctuations.

^h Man-power requirements for 1947-1948.

ⁱ Tentative figures arrived at by computing the results of two inquiries on man-power needs: partial inquiry made in enterprises covering 500,000 workers (seventy per cent of total); more comprehensive inquiry relating to requirements in mining and manufacturing only (500,000 workers).

^j Figures relating to the years 1947 to 1951.

Although the total number of workers unemployed in various parts of Europe appears to exceed the total of specific shortages, this does not, of course, mean that the estimated present or future requirements can easily be met. Such surpluses as exist are mostly in countries other than those in which jobs used to be filled. Moreover, the great majority of the unemployed are unskilled, while the demand is mostly for skilled workers, as may be seen from the estimates in table 18.

Table 18

MAN-POWER REQUIREMENTS OF INDUSTRIES OTHER THAN COAL MINING

Up to the end of 1948

	Requirements for skilled labour (Thousands of workers)	Requirements for unskilled labour		Requirements for skilled labour (Thousands of workers)	Requirements for unskilled labour
Austria	17.0		Sweden	100.0	
Belgium	27.5	9.0	Switzerland	60.0	13.0
France	150.0	115.0	United Kingdom	115.0 ^a	
Luxembourg	1.5	3.9			
Netherlands	5.3		TOTAL	476.3	140.9

Source: Committee of European Economic Co-operation, *Volume II: Technical Reports* (London, 1947), page 299.

^a Requirements stated are for skilled labour but this country has indicated its willingness to import unskilled labour, and, where necessary, to train it.

Of the 617,000 workers required in these eight countries up to the end of 1948 in industries other than coal mining, 476,000 are skilled workers. In coal mining it was estimated that some 60,000 workers were required, but most of the countries concerned would be prepared to employ physically fit unskilled workers and train them.

Serious production bottle-necks have appeared as a result of man-power shortages in certain key industries, and this problem is one of the most pressing in the present European economic situation. In the steel industry, for example, shortages of workers exist in Czechoslovakia, in France, and in western Germany. In the United Kingdom, local shortages coincide with some unemployment in other areas. In Belgium and Poland, on the other hand, the labour requirements of industry seem to have been met.

In the building industry, the lack of workers which is felt in some countries, notably Czechoslovakia and France, is holding back progress in other industries as a result of the difficulty of finding accommodation for foreign workers who might otherwise be brought in.

In the engineering industry, there is a general demand for skilled workers. Several countries which have planned an expansion of their engineering production, including Czechoslovakia, France, Poland, and Yugoslavia, are taking measures to recruit and train new workers for this industry.

In agriculture, the situation is one of severe man-power shortage in some countries, particularly in France, but to some extent also in Belgium, Czechoslovakia, Sweden, and the United Kingdom, and substantial surpluses in others, particularly in Italy and the Netherlands.

The situation in the coal mines is particularly serious in many countries. The average age of coal miners has risen since before the war in France, the British and French zones of Germany, and the United Kingdom, as a result of a falling-off in recruitment of new workers and, in the case of Germany, of the employment abroad of many German coal miners as prisoners of war. Some countries, particularly Belgium and France, employed a large number of foreign workers in their coal mines before the war. Many of these were deported or abandoned the pits during the war. The problem of their replacement after the war was temporarily solved by the large-scale use of

German prisoners, but the release of these prisoners makes it urgent to meet man-power requirements by local recruitment and by the importation of foreign workers. New workers, both national and from abroad, are untrained, and it is necessary to organize training programmes for them. Poland, which is also experiencing a lack of skilled workers, is making efforts to repatriate Polish miners from abroad and to provide training facilities for newly recruited workers.

This brief survey shows that in Europe there are, on the one hand, substantial groups of unemployed workers, and on the other, serious man-power shortages. Unfortunately, and altogether apart from the problem of geographical mobility, the great majority of the unemployed, including the displaced persons, appear to lack the particular skills required for the jobs that are available. In the case of the underground workers for the coal mines, in particular, it has proved almost impossible to recruit workers with experience in coal mining or similar work. Consequently, the solution of the European man-power problem depends not only on substantial transfers of workers from the areas where there is a surplus to those suffering from a shortage, but also on the provision of training facilities to enable workers to acquire the necessary skills.¹

Man-power shortages are not confined to Europe, however. Australia and New Zealand both report over-all scarcity of male and female workers and a lack of adequate numbers of skilled workers in many branches of industry. In Australia, the number unemployed in June 1947 was 33,800, or one per cent of the total civilian labour force, showing a significant decrease from 4.3 per cent in June 1946, and 2.6 per cent in December. In Canada, employment has been at high levels throughout 1947; man-power shortage exists in certain industrial areas and in certain industries and occupations; there is a general shortage of skilled labour; unemployment has been "rapidly dropping to the level where the unemployed group is made up of persons temporarily out of work while changing jobs, or through occupational or geographical immobility". By August 1947 it had fallen to 73,000, or 1.4 per cent of the labour force. In the United States, there is a somewhat similar situation. A maximum employment level has been well maintained during 1947.

Civilian employment is at record levels; in June 1947 it reached an all-time peak of over 60 million; and although there has been a slight contraction since then, owing to a seasonal decline in agricultural employment, the total of non-agricultural employment has continued to rise steadily. Unemployment in October 1947 was only 1,687,000, or 2.9 per cent of the labour force. As in most other countries, man-power surpluses exist along with man-power shortages; and the shortage of skilled labour has caused difficulties in increasing production in certain industries.

In south-east Asia the man-power situation is quite different from that in Europe or in the less densely populated regions of the world. Here a combination of over-populated agricultural areas and under-developed secondary industries has created an acute problem of chronic unemployment and under-

¹ Cf. "Man-power Problems in Europe" in *International Labour Review*, June 1947. Subsequent issues of the *Review* bring this information up to date.

employment. At the same time, however, there is a serious shortage of the technical personnel required for industrialization.¹

In China, the utilization of man-power is again being placed on a war-time basis, but President Chiang Kai-shek has stated that the National General Mobilization Order of June 1947 is designed to serve not only military purposes, but also "national reform and reconstruction". Plans have been made for the training of 10,000 skilled workers annually (machinery, 7,000; electrical appliances, 1,000; chemicals, 1,000; mining, 500; and metallurgy, 500); and for the rehabilitation during 1946 to 1948 of 1,500,000 demobilized army officers and soldiers, of whom over 50,000 had completed their training by October 1947 in new occupations provided by the Central Training Corps. During the past two years, however, unemployment has been increasing. The number of jobless in industrial centres such as Shanghai, Tientsin, Tsintao, and Hankow was reported to be over 667,000 at the beginning of 1946; the unemployment situation in the interior, from where the factories had again been moved to coast areas, was also aggravated. It was reported in October 1947 that, in Shanghai itself, the number of unemployed had increased from 150,000 to 300,000 during the preceding three months. Most of these had been discharged from public utilities and industries such as textiles, shipbuilding and tool making.

In parts of the Middle East, also, and in certain Latin American countries, the employment market situation is characterized by serious chronic under-employment, together with a certain amount of unemployment; while at the same time there are serious shortages of certain kinds of man-power, particularly skilled labour.²

During recent months, a number of storm clouds have gathered on the world employment horizon. Most of these derive primarily from trade and exchange difficulties now menacing the employment plans of countries in different parts of the world and from political uncertainties. A good many countries are expecting difficulties in procuring raw materials, machine parts, and other equipment. So far, these factors have not created any extensive unemployment, but they constitute a menace which is not underestimated by the countries vitally concerned.

If any basic conclusions can safely be drawn about the present world employment situation from the experience of the past year, they are, first, that full employment, while eliminating the problem of mass unemployment, creates many new man-power problems; and, secondly, that unemployment, though held within narrow limits in many countries of the world, has not been abolished, and under-employment, or disguised unemployment, persists in many parts of the world. If any single problem appears to dominate the scene, it is that of man-power redistribution, both in industrially developed countries and in those now in process of industrialization; the problem is one of redistribution of workers among the different branches of economic activity, such as industry and agriculture; and among different industries, occupations

¹ Cf. Preparatory Asian Regional Conference of the International Labour Organisation, New Delhi, 1947. Report II: *Labour Policy in General, including the Enforcement of Labour Measures* (International Labour Office, New Delhi, 1947).

² Cf. International Labour Organisation Regional Meeting for the Near and Middle East, Istanbul, 1947: *Report of the Director-General* (International Labour Office, Geneva, 1947), Ch. III; "Organisation of Employment and Vocational Training".

and skill categories. Quantitative and qualitative man-power redistribution within and among the different countries was stressed in the *Report of the Director-General of the International Labour Office* to the thirtieth session of the International Labour Conference at Geneva in 1947:

“Redistribution of man-power along lines dictated by the needs of the various economies is thus the core of current employment market problems. It contains, moreover, a significant development concept of employment market organization. Not only does the process of redistribution now extend beyond the mere re-employment of the unemployed, reaching into the ranks of the employed, but it involves a new sense of weighing the more essential against the less essential in national terms of social and economic welfare as well as individual desires. It means that all sources of man-power must be tapped and that in addition methods of ensuring the best utilisation of this man-power must be considered. While wartime experience lends a certain familiarity to this concept, its application in peace time is a novel development, holding many implications for the future.”¹

The immediate and pressing task in the field of employment market organization is thus to find the ways and means of carrying out the redistribution of man-power required to meet current and prospective requirements for workers.

In the many countries now suffering from a general shortage of labour and a serious shortage of skilled labour, man-power policy falls into three main inter-related parts: the mobilization of labour reserves, the redistribution of employed workers, and the vocational adaptation of the skills of workers to the requirements of the essential employments. In the countries now seeking to industrialize their economy and to eliminate “disguised unemployment”, man-power policy centres around measures aimed, first, at developing or improving the information available about the employment market; secondly, at building up the basic machinery (in particular the employment service) to organize the employment market, and thirdly, at finding the means of redistributing workers between industry and agriculture and of providing both these branches of economic activity with an adequate supply of trained workers.

The mobilization of labour reserves involves, in the first instance, measures which will result in guiding young workers in the light of their individual aptitudes towards the occupations and jobs which most need to be filled at the present time. During the past year, measures for this purpose have been specially emphasized in most European countries, including, for example, Belgium, Czechoslovakia, France, Poland, Sweden, the United Kingdom, the USSR, and Yugoslavia. Steps have been taken to expand vocational guidance service for young persons and to ensure that young persons entering the employment market make use of this service, to strengthen youth placement facilities and widen their use, and to co-ordinate vocational training and placement activities with a view to providing integrated assistance to the young persons concerned. In some countries in Europe, the great majority of young persons who leave now find their way into training or employment through the public vocational guidance and placement services. Even in countries where the man-power shortage is less acute or less general, greater attention is now being given to more careful allocation of young persons to the different

¹ Page 44. The report contains a review of the world employment market (pages 12 to 60).

branches of economic activity, and to the employments available within them. This is true, for example, in a good many of the Latin American countries, and in Canada and the United States. Australia, New Zealand and South Africa have taken measures to build up youth guidance and placement arrangements as a means of overcoming the scarcity of juvenile labour which now prevails in many industries and occupations and of broadening the vocational opportunities of young workers.

Secondly, the mobilization of man-power includes the measures directed towards reabsorbing unemployed workers into productive activity. This has been an important aspect of man-power policy in the United States and in Canada. However, in the many countries with a labour shortage, the unemployed constitute a very small or non-existent "reserve" of man-power, though special pockets of unemployment exist (as in the development areas in the United Kingdom) or arise (as in certain areas in Poland). Such countries have abandoned the idea that there is an unavoidable "hard core" of unemployment consisting of people unable in any circumstance to contribute in any form to the national welfare. Even in countries which have a relatively high volume of labour turn-over, the period between jobs has tended to be short, except for a diminishing proportion of those most difficult to re-employ. What is regarded as the "irreducible minimum" of unemployment in each country is now a far smaller percentage of the total labour force than ever before. In fact, in many parts of the world there is a different, and less tolerant, attitude towards the whole question of unemployment. Immediate efforts are made to find out why unemployment exists in any particular industry, occupation or area, and to ensure that the persons affected by it either are brought back with a minimum of delay into work useful to the economy—whether in their former occupation, industry or area, or in another—and suitable, so far as possible, to their qualifications and experience, or are made available to meet labour requirements of other countries.

Thirdly, the mobilization of labour reserves includes campaigns to enlist the services of women in the employment market, either on a part-time or a full-time basis. In most European countries the supply of women workers has not proved to be very elastic. A good many of these countries have taken special measures to make the number of women at work greater by accompanying recruitment measures and propaganda campaigns by methods which will both encourage and make it possible for women with household responsibilities to take up gainful employment. Steps in this direction include, for example, equal pay for equal work, cheap and efficient laundry and mending services, special shopping facilities, communal kitchens or restaurants, crèches near the homes or work places, and other arrangements to lighten the duties of women. The USSR has already taken a series of measures for this purpose; at present, Czechoslovakia, France and Poland are planning to extend such services to facilitate the employment of women; and the United Kingdom is making an attack on some of the obstacles which seem to have prevented a good many women from working outside their homes.

In addition, most countries of Europe, including all those suffering from man-power shortages, have taken special legislative or administrative action to provide disabled persons with suitable employment, so as to make good use of this important source of labour supply. Measures for the selective placement of disabled workers have also been applied on an increasing scale in countries

of the British Commonwealth of Nations and in the United States. These have been successful, not only in filling jobs which needed to be filled, but in showing the wide range of employment suitable for disabled persons.

In many countries, efforts have also been made to persuade older workers, many of whom are skilled and experienced, to stay in or return to employment. Here again, in most countries the problem is now not one of providing them with suitable job opportunities, but of supplying them with a moral and financial incentive sufficiently strong to induce them to stay in employment and of ensuring that they are wisely employed on work adapted to their physical condition. In France and Great Britain, for example, old age pensioners may receive their full pensions while continuing to work. In Canada and the United States, older workers are often placed in suitable jobs by using the selective placement technique of physical demands-physical capacities analysis.

In a number of countries, those sources of labour supply had been fairly well drained before 1947 began. By now, the bottom of the man-power barrel has been reached in many countries; but the demand of essential industries for suitable workers has continued to be unsatisfied. Thus, as noted, the labour shortage countries are now concentrating on carrying out a man-power redistribution which will provide more workers for industries and activities regarded as essential in present national circumstances and fewer workers for those considered less essential or "unproductive". Measures for this purpose include direct and indirect controls of employment, restrictions on non-essential activities and industries (e.g., through import and price policy, and planned allocation of raw materials and motive power), rationalization of production methods, planned policy in regard to the location of industry, and the organization of vocational training and retraining for adult workers. The employment service is regarded as the pivotal part of the machinery of man-power redistribution, and its opportunities for influencing the distribution of workers according to economic requirements have steadily widened.

Controls of employment, which were extensively used during the last war in the major belligerent countries and in certain neutral countries, and which were subsequently abandoned or relaxed in most of these countries, have been reintroduced in a great many European countries. These controls, which are backed by administrative constraint, usually grant the employment service a monopoly of engagement for employment and sometimes include a control by the service, of dismissal or voluntary leaving of employment and a power of direction of workers to employment. Where there is comprehensive economic planning, as in Czechoslovakia and the United Kingdom, controls of employment are regarded as an indispensable part of employment organization. Elsewhere, less direct means of achieving man-power redistribution are considered more practical and desirable, as in certain western European countries. In most countries, including those where strict man-power controls have been provided for by legislative enactment, compulsion is, in practice, used only as a last resort. The fact, however, that the trade unions have in general accepted and even, in certain cases, taken the initiative in proposing man-power controls, illustrates how far public opinion is aware of the gravity of man-power problems. Outside of Europe, on the other hand, improving economic conditions have led to the abandonment of employment controls, with certain limited exceptions.

Indirect control by the employment service over the movement of workers

into fresh employment is, however, an important method of man-power redistribution, and one used all over the world in countries whose man-power problems differ in kind as well as in degree. Such control, if it may be so called, is exercised largely through employment service campaigns to inform workers of vacancies particularly needing to be filled, to popularize employment in essential industries, occupations and areas, and to persuade workers to take up such employment. Employment counselling for job seekers is the basis of such indirect methods of diverting labour to essential jobs, and this counselling is, of course, combined with as efficient as possible employment market information and placement work and with schemes of vocational training and retraining. Even in the countries with extensive direct controls of employment, persuasion of workers to move to the jobs which most need to be filled constitutes the chief channel of redistribution, with the controls intended largely to bring larger numbers of workers and employers to use the employment service machinery, and with direct controls (especially the power of direction to specified employment) held to a minimum and used only as a last resort.

Restrictions on less essential industries are often imposed for other reasons as, for example, shortage of exchange, raw materials, machinery, or shipping facilities, but they often provide man-power which then becomes potentially available for more essential industries. In other cases, less essential activities are deliberately restricted in order to release man-power for other purposes, and in particular to overcome certain types of production bottle-necks, in the essential sector of the economy. In Poland and Czechoslovakia, for example, efforts have been made to cut down unnecessary employment in certain branches of the public service in distribution, trade and commerce, in so-called "luxury" industries, and in occupations regarded as unproductive (including many kinds of service trades and handicrafts). Measures of this type are often part of policies aimed towards the rationalization of production, as in Bulgaria, Czechoslovakia, Poland, the USSR, and Yugoslavia. The Norwegian Labour Directorate has been carrying out a series of measures for redistributing man-power from less essential to more essential work in accordance with the Government's man-power budget for 1947. Belgium, France and the United Kingdom have also been engaged in reducing, directly and indirectly, the volume of man-power employed in less essential activities. However, it should be emphasized that in all countries measures to restrict employment in non-essential activities have a useful effect on employment in essential activities only to the extent to which the labour released is suitable for, or adapted to, employment available in essential activities, and is actually placed in such work.

Planned policy in regard to the location of industry is likewise being made an essential part of post-war measures for man-power distribution, both in many European countries and in Australia, Canada, India, and New Zealand. To some extent intelligent planning of the location of industrial activity provides a means of using man-power on the spot—almost invariably easier than to move workers from one area to another—and also of strengthening the co-ordination between measures tending to release workers, with those for their re-employment in essential work.

But no matter how wisely the distribution of industrial activity may be planned and carried out, it is sometimes necessary to move the workers to the work. Thus, the promotion of necessary geographical mobility of labour

has remained an important part of man-power policy during 1947. Many countries have taken special action to encourage workers to move to new areas with more plentiful or more suitable employment opportunities. As a rule, measures for this purpose include, above all, the provision of reliable and detailed information on working and living conditions (including the availability of suitable housing accommodation) and financial assistance to make it possible for the worker and his family to decide upon and carry out a move.

The measures so far taken with a view to achieving man-power redistribution have encountered a number of difficulties. Some of these can be traced to weaknesses in the machinery and personnel of the various national employment services. It is therefore encouraging to note that during the past year a great many countries have taken positive action to build up their employment services so that the latter can meet the very heavy demands now being made upon them. Experience has indicated a particular need for adapting employment service facilities to current man-power requirements. For example, there are few countries in which it is possible to recruit workers from rural areas, weeding out ineffectively employed man-power in such areas and safeguarding, at the same time, the essential needs of agriculture. There are few countries which have worked out the means whereby certain workers in particular categories (for example, married women and disabled persons) or those displaced from special occupational groups (for example, from handicrafts, liberal professions and civil service) can be selectively placed in jobs and occupations where they can make a useful contribution to economic life.

Many of the difficulties which have been encountered, however, have arisen because the promotion of necessary man-power redistribution at the present time requires, above all, the adaptation of the skills of the workers to the needs of essential industries. This means, essentially, vocational training and retraining for adult workers. In principle, measures for this purpose are becoming recognized to be of dominant importance. Almost everywhere, practice lags far behind. Nevertheless, for the first time, the question of the training of adult workers is now looked upon as an urgent question of social policy. Measures to organize suitable forms of training have been adopted in all the countries suffering from man-power shortage at the present time, and also in industrializing countries lacking trained workers for national development.

Belgium and the Netherlands have increased the training and retraining centres open for adult workers. France now has some two hundred vocational retraining centres, concentrating especially on training adults for work in the building and engineering trades. The USSR has an extended training scheme through the application of which it is expected to raise average individual production by more than one-third. Great Britain has undertaken a large expansion of training schemes in many different trades, with special emphasis on the training of workers for building and coal mining. Poland has just put into operation an extensive training scheme for the rapid training of many categories of skilled workers, and also has a special scheme for the training of miners. Australia and New Zealand have reconstruction trade training schemes for adult workers that are operating successfully, and Canada and the United States have been training adults by a variety of methods. In India, progress is being made with the organization of technical training. Vocational training for adults is also under way on a limited scale in certain Latin American countries and in a few centres in China.

So far, the results of schemes for the training of adults seem to have been encouraging, though very limited in comparison with the need. It necessarily takes much time and money to train or retrain workers to meet the skills required. With a few exceptions, experience of the organization and methods of the training of adults is lacking; the necessary premises, equipment, materials and instructors are hard to find; and often employers and trade unions alike have been slow to realize the need, not only for the initial training of inexperienced entrants into industry, but also for the up-grading of the existing labour force, which provides the only means for the absorption of new recruits. However, governments, particularly those suffering from immediate man-power shortage, are committed to the expansion of training schemes to the maximum possible extent, both for the training of their own workers and for the training of imported foreign workers. It is widely appreciated that only through well developed training programmes, fully supported by the employers and trade unions of the countries concerned, can man-power redistribution be successfully achieved and levels of production and productivity increased. It is also recognized that the lack of skilled labour is not a problem which can be overcome quickly, and that the sooner attention is given to the whole question of the training and retraining of workers, the better chance there will be of safeguarding the future of each country's economy.

* * *

With some countries desperately short of workers, and with others containing men and women without work and homes, the organization of migration for employment and for settlement has become a question of primary concern in man-power policy. The year 1947 has been marked by a careful re-examination of national policies of immigration and of emigration and by a number of important measures (bilateral agreements, in particular) which have already had certain limited results in achieving better international man-power distribution.

Europe is a source both of immigration and of emigration. A great deal of the migration now being organized among European countries is specifically intended to meet immediate, and for the most part temporary, labour requirements of countries with man-power shortage. Agreements for the migration of surplus workers from Italy have been concluded between Italy, on the one hand, and Austria, Belgium, Czechoslovakia, France, Great Britain, Sweden, and Switzerland, on the other. By September 1947 all of these countries had received a considerable number of Italian workers. In addition, the British and French Governments have been recruiting displaced persons in their zones in Germany. Other agreements for recruiting displaced persons from Germany, Austria or Italy have been concluded between the Inter-governmental Committee on Refugees or the International Refugee Organization Preparatory Commission, and Belgium, the Netherlands, and Sweden. France has taken steps to recruit German workers for employment (particularly for mine work) in France, and Great Britain is considering the same thing. Continued employment as ordinary civilians is being offered to German prisoners of war by some countries, including Belgium and France, by agreement with the International Red Cross and the United States Government. In Great Britain and France, prisoners of war are given the opportunity of volunteering for employment as ordinary civilians when they become due for repatriation. Czecho-

slovakia has enlisted the services of workers from a number of neighbouring countries; Poland has been repatriating workers from various areas; and population transfers have been carried out between Czechoslovakia and other countries, in particular Hungary and Germany.

Oversea migration from Europe has been resumed more slowly. In the British Commonwealth countries, efforts are being made to meet the need for increased man-power by continuation of the traditional intra-commonwealth movement and by encouraging the emigration of specified categories of European workers. Many of the Latin American countries are analysing their immigration requirements and possibilities of settlement more closely than ever before, and several of these countries have sent recruitment missions to Europe to undertake negotiations, more especially with the Government of Italy. An agreement has been reached between Italy and Argentina. In addition, a number of non-European countries have agreed to recruit displaced persons as immigrants—namely, Argentina, Australia, Bolivia, Brazil, Canada, Chile, Colombia, Ecuador, Peru, South Africa and Venezuela.

These examples illustrate the renewed interest in migration as a means of meeting today's man-power problems. Without orderly migration, linked to employment opportunities, corresponding to national requirements, and safeguarding the interests of the workers concerned, there is little chance of ensuring full and effective utilization of the world's man-power resources.

* * *

The close attention given in so many countries during the past year to man-power problems has had its counterpart in the activity of international organizations. In November 1947, the United Nations Economic Commission for Europe appointed a committee on man-power which is to study, in co-operation with the International Labour Organisation and other organizations concerned, some of the major man-power problems involved in European recovery and reconstruction. At its thirtieth session in Geneva, in June 1947, the International Labour Conference held a first discussion on employment service organization, and will hold a second and final discussion on the question at the thirty-first session in San Francisco in June 1948, with a view to adopting a convention and recommendation on the subject, which can serve as a useful guide to member countries in building up national employment service machinery and in according it the functions necessary to adjust the supply of workers to the demands for their services and skills.¹ Migration for employment is the special province of the Permanent Migration Committee of the International Labour Organisation, which held a first post-war meeting in August 1946 in Montreal and if, as is probable, the Governing Body of the International Labour Office so decides, will hold a second meeting in the near future. On the initiative of this Committee a model agreement for the organization of migration between countries has been drawn up for the consideration of Governments, which are also being consulted (partly as a result of a decision of the Economic and Social Council) on the desirability of revising the Migration for Employment Convention 1939 and the two related recommendations. The Committee has also proposed that the question of

¹ Cf. *ILO Employment Service Organisation*. Reports V (1) and (2) prepared for the thirtieth session of the International Labour Conference, Geneva, 1947, and Report IV (1) prepared for the thirty-first session of the Conference, San Francisco, 1948.

technical selection and training of migrants be placed on the agenda of an early session of the International Labour Conference. Vocational guidance in relation to employment market organization is an item placed for first discussion on the agenda of the thirty-first session of the International Labour Conference, to be held in 1948.¹ Vocational training and retraining are being followed closely within the International Labour Office, with a view to such international action through the machinery of the Organisation as may be requested of the Office or decided by its Governing Body.²

The preceding general survey indicates that, on the whole, man-power policy, nationally and internationally, is increasingly being directed towards the general social objectives of full employment and rising living standards. At the same time, the simultaneous existence of man-power surpluses and shortages within and among the different countries, combined with a "global deficit" of skills, indicates that no opportunity must be lost to improve the efficiency of the employment market by measures designed to match more quickly and more accurately available workers and vacant jobs, and, where existing qualifications and the skills required do not match, to provide the necessary training. The types of measure required have been set out in detail in both national and international statements of policy; what is now needed is the development of specific administrative arrangements and facilities to ensure the practical application of these policies on an adequate scale.

Problems of man-power are of vital importance to all countries. On their successful solution depends the success of economic and social policies and the well-being of all members of society. This solution is not, however, to be found merely in the more efficient organization of the employment market, important as such organization must be. It will depend to a large extent on the measures taken, nationally and internationally, to solve the whole range of inter-related problems of economic and social organization. Only as progress is made with the solution of these problems can the most effective use be made of one of the basic resources of the world: its man-power.

¹ Cf. *ILO Vocational Guidance*, Report V (1) prepared for the thirty-first session of the Conference, San Francisco, 1948.

² For a fuller account of the work of the ILO on man-power problems see the section on "The International Labour Organisation" in part IV below.

Chapter 5

PROGRESS OF ECONOMIC DEVELOPMENT

INTRODUCTION

Lack of economic development is evidenced by low standards of living, caused by lack of efficient and full utilization of man-power, natural resources, energy and capital. Some countries have made more progress in such utilization than others. As a result, there is extreme disparity in the average level of living standards among the various countries of the world. A comparison of national income per head of population indicates the order of magnitude of the disparity, even though in detail the figures may suffer from incomplete evidence (especially in the under-developed countries), differences in definition or methods of computation, and wide margins of error. Table 19 lists, in descending order of recorded national income *per capita*, those countries for which such data are readily available.

Table 19
NATIONAL PER CAPITA INCOME, 1938

	U.S. dollars		U.S. dollars
United States	510.6	Argentina	156.2
New Zealand	500.0	Czechoslovakia	137.3
United Kingdom	481.2	Italy	131.8
Switzerland	447.6	Chile	126.1
Sweden	430.2	Hungary	112.1
Australia	423.2	Bulgaria	109.7
Canada	351.8	Poland	94.3
Denmark	335.8	Greece	78.9
Netherlands	321.8	Mexico	60.0
Ireland	258.6	Dominican Republic	56.2
Belgium	257.1	Bolivia	39.4
Iceland	250.0	Brazil	33.3
France	243.9	Philippines	31.2
Finland	168.9	Netherlands Indies	22.0
Austria	164.7	China	17.6
South Africa	160.9		

Source: Statistical Office of the United Nations.

Figures for 1938 have been used because they are available for the largest number of countries, but the evidence at hand indicates that international disparities have been further intensified during and immediately after the war. It is true that during the war much development took place in a number of under-developed countries with the assistance of the principal Allied Powers. Many of these countries are now striving to maintain these war-time gains as a permanent advantage to their economic structure. Under-developed countries also benefited from liquidation or reduction of foreign debt and acqui-

tion of foreign assets. Other effects, however, were less favourable. A number of under-developed countries suffered physical war devastation. In other under-developed countries normal development activity during the war was slowed down or virtually paralysed so that in most of them there are heavy arrears of maintenance and repair. By contrast, there has been rapid industrial development in some of the countries which were already among the most economically advanced before the war. Hence the position of some under-developed countries has deteriorated, in an absolute sense, while the position of most has deteriorated in relation to the highly advanced countries.

Developmental planning has to overcome enormous obstacles, such as shortage of technically qualified personnel to carry out projected schemes, inadequacy of domestic savings and foreign exchange, lack of suitable statistical information, insufficient knowledge of resources, poor health conditions, deficiencies in education, and inadequate transport.

Governments and many individuals in the under-developed countries have become increasingly conscious of the need for deliberate, organized efforts aimed at economic development. This does not mean, however, that comprehensive and integrated programmes now exist everywhere. A number of countries proceed by means of an over-all plan which covers every phase of national economic or social life, but most countries proceed in a piecemeal fashion, coping with problems as they appear in different sectors of the economy.

In some countries, public ownership and government operation embrace very large sectors of the national economy, but government recognition of the need for developing private initiative is the more common practice. This does not mean that governments abandon their rights to own and operate, and especially to control certain basic or key sectors of economic life. Credit institutions, specially designed to provide finance on easy terms for agricultural, mining or industrial development have been proposed, established or expanded. Various forms of direct government participation in combination with private interests have been extended. At the international level, loans and technical assistance were sought by a number of countries from various international organizations.

The methods employed by governments in promoting development were traditional and included tariff protection, exemption from taxes and duties, grants, loans, guarantees, and technical assistance. The forms of government sponsorship may range from the creation or maintenance of favourable conditions for production, through all shades of joint enterprise, to complete government monopolies in the production and sale of goods.

While both the methods and contents of development programmes differ widely, their aims and objectives may be summarized as follows:

(a) *Better living conditions for the population.* Improvement in the living conditions of the great masses of the people is generally recognized as the principal aim of development programmes and, indeed, of economic and social policies in general. This was underscored by the recent report of the first session of the Sub-Commission on Economic Development.¹ Most Governments recognize that this situation must be approached not only through economic improvement, but also through direct social measures. Thus in

¹ United Nations document E/CN.1/47, 18 December 1947.

budgets of various governments provisions for steadier and more effective employment and improvements in the efficiency of production—largely by creating opportunities for a more diversified and modernized occupational structure—are coupled with housing projects, sanitary works and educational advancement.

(b) *Increased diversification.* A high degree of specialization in the economic structure, frequently based on production of a few primary commodities highly sensitive in demand and price, characterizes many of the under-developed countries. The desirability of reducing such dependence is generally stressed. Thus, many under-developed countries have embarked on measures to encourage the establishment of industries over a wider range as well as the diversification of their agricultural output.

(c) *Improved agricultural technology.* Agriculture is the primary occupation in most, and is important in all, under-developed countries. It is very often conducted with outmoded methods that sometimes contrast sharply with the technically well advanced exploitation of natural resources, often in the hands of foreign enterprise. There is a widespread desire to improve agricultural techniques, increase agricultural equipment, improve systems of land-ownership, and apply scientific knowledge to soil treatment and conservation. Similarly, irrigation and land reclamation are important objectives, the former often as part of multi-purpose water development schemes.

(d) *Industrialization.* Most under-developed countries show a strong desire to increase the share of industrial output in their national economy. Industries particularly encouraged are those which process local raw materials, or relieve food shortages, those which are considered strategic or key industries, and those which may have a favourable effect on the balance of payments. The desire for further processing of materials previously exported in an unprocessed or semi-processed state is universally expressed. Generally, heavy industries, in particular metallurgical and chemical industries, are favoured; their development is often associated with the development of mining and frequently with regional planning based on the development of a watershed. Key industries are also favoured to strengthen the national security of the under-developed countries. It is not always possible to say where economic development plans end and where security considerations begin.

(e) *Multi-purpose water resource developments* play a prominent part in many development plans. They usually constitute a combination of power and industrial development, with improvements in agriculture, transport, water supply, and other fields. They are especially favoured by under-developed countries lacking domestic fuel supplies.

(f) *Technical training* is usually advanced by the setting up of institutions for technical research. These agencies are charged with the task of surveying natural resources and of determining the best and most efficient use for national products and materials.

ECONOMIC DEVELOPMENT ACTIVITIES IN VARIOUS COUNTRIES

The following brief account describes the present position and recent trends in economic development in a number of selected countries. The countries dealt with are mainly those for which data are more readily available or those

which have been included in the report on *Economic Development in Selected Countries: Plans, Programmes and Agencies*, prepared in the Development of Economic Affairs. Information on other countries is now being compiled with the aid of replies to a questionnaire that has been sent to Governments of Members of the United Nations.

ARGENTINA

The Government of Argentina has instituted a Five-Year Plan, covering the period to the end of 1951 and estimated to cost \$1,500 million. Detailed provision is made in the plan for raising the requisite funds. Over a third of the planned investment will be for the development of power, with special emphasis on hydraulic power and on the development of petroleum, gas and other fuel resources; development of communications will absorb another third of the investment; and the development of agriculture, industries and social services—including public health, sanitation, etc.—will absorb the rest. The schemes will give employment to over 80,000 workers and provide opportunity for the settlement of some 250,000 immigrants.

The above does not include capital expected to be spent by the Government either on its own initiative, or jointly with private enterprise, for the development of manufacturing industries. However, it should be noted that industrialization, i.e. establishment of new industries or development of existing industry, constitutes the most outstanding trend in Argentine economic policy today. In fact, even before the Five-Year Plan was enacted, measures were adopted that were designed to foster the development of more advanced manufacturing industries, especially the metallurgical and chemical industries, and to encourage domestic production of such import commodities as fibres, newsprint, plastics, and oils, and the processing for export in a more advanced stage of such commodities as leather and wool. In order to encourage enterprises fitting these aims, not only are they granted protection, by exemption, or reduction, of duties on equipment and essential materials, but the Government may also help in establishing joint enterprises by means of heavy subsidies. Thus, even though there is no specific allotment of capital funds for the different kinds of industries to be promoted, plans so far presented or already in process of execution make it clear that industrialization has been a mainstay of general economic development of the country. Data contained in the Five-Year Plan suggest that by the end of 1951 industrial production may be raised by almost forty per cent above the 1943 level. The importance attached to the development of basic metallurgical industries is evidenced by the fact that the projected iron and steel corporation, a joint enterprise approved by the Chamber of Deputies in 1947, has been capitalized at \$25 million. Blast-furnace construction has started and is progressing rapidly.

In addition to the means provided by the Five-year Plan for the establishment of joint enterprises, mainly for manufacturing industries and power generation, Argentina has an industrial credit bank whose operations have been increasing steadily and which granted credits of more than 13,000 million Argentine pesos in 1945.

Plans for agricultural development include improvements in grain storage facilities all over the country.

A National Economic Council created in July 1947 is the central co-

ordinating agency for the development plans of the Republic; it has been endowed with extensive powers in the field. The President of this council has been invested with full Cabinet rank.

An outstanding feature of Argentine development policy is the activity of State trading institutions, which operate both in buying and selling.

BOLIVIA

The plans for Bolivian economic development have been prepared and are being carried out by the governmental Bolivian Development Corporation established in December 1942. A long-range economic development plan costing \$88 million has been outlined, certain important parts of which have been embodied in a more immediate plan based on recommendations by a United States Technical Mission concerned with the first phase of long-range development. For this plan, \$26 million has been allocated as follows: roads and railways, forty-six per cent (chiefly for highways); agriculture and irrigation, twenty-five per cent; oil development, twenty-one per cent; and mining, four per cent. The remaining four per cent had originally been planned for sanitation works, but was allotted to industry instead. The money needed for the execution of this plan has been partially raised through a loan from the United States Export-Import Bank of Washington.

The Bolivian Oil Authority has included among its plans a new refinery involving \$14 million; this project, too, is being financed by a loan from the Export-Import Bank. The Mining Bank has extended its operations to include the field of metallurgy. Plans already under way under the auspices of the Irrigation Bureau would enable the country to grow enough sugar-cane and cotton for its present domestic level of consumption.

BRAZIL

Brazil has no current over-all economic development plan, but deals with some of the basic problems separately, through specially designed plans. Included among the latest are a national highway plan, of 1944, a national electrification plan, and a plan for railway re-equipment, submitted in 1947. The highway plan aims at an increase of about fifteen per cent in the road mileage of Brazil. A special fund for this purpose was provided and for 1947 it was expected to yield revenues of about \$38 million. The plan for railway re-equipment, which will extend over a period of ten years, will cost approximately \$460 million.

Specific plans for important industries have also been drawn up and partly carried out by separate agencies, in the form of mixed companies. The most important of these is the National Steel Company, capitalized at \$54 million. The Volta Redonda Steel Mill is the largest plant in Latin America, producing at the end of 1947 at the annual rate of about 325,000 tons of iron and steel, and a number of important by-products; its production is expected to be expanded to about one million tons per year. Among recent projects, the São Francisco Hydro-Electric Company, based on the Paulo Alfonso falls of the São Francisco River, may become of great importance to the north-eastern section of the country. The National Motor Engine Company, for the production of agricultural tractors, is practically completed. A school for tractor drivers is attached to the factory and it is hoped that this will become a centre of industrial skill.

CHILE

Chile has no central plans for economic development but the Production Development Corporation currently issues partial "plans for immediate action."

A new National Economic Council, established in December 1946, is now the superior organ for the co-ordination of activities. It works on a tripartite system of representation of government, employers and workers.

The Chilean Production Development Corporation, which is sponsored by the Government, is promoting development schemes over a wide field. The emphasis here is on industries, power and communications. Electric energy is the largest single item. The Corporation has received considerable credits from the United States Export-Import Bank of Washington. The total amount of credits made available by the Bank and individual United States investors since April 1939 has been estimated at \$100 million. The amounts actually drawn are, however, much smaller.

The Corporation has applied to the International Bank for Reconstruction and Development for a loan of \$40 million to cover such projects as railway electrification, electric power, transportation, forestry products, and harbour equipment. The capital needed for carrying out the Development Corporation's main projects is distributed as follows: electric power, twenty-seven per cent; steel mill at Concepción, 23.5 per cent; railway electrification, eighteen per cent; transport, seven per cent; agricultural machinery, six per cent; and cement plant, three per cent. These figures indicate the most urgent needs and must not be taken as actual projects. In railway electrification, for instance, more than half of the total sum represents expected future loans; the proportion is thirty per cent for electric power, and forty per cent for transport. With the completion of the programme outlined above and now partly under way, a six per cent increase in the national income above its 1945 level is expected, without taking into account secondary gains.

With the exception of the steel plant at Concepción which has been exempted from taxation, the Development Corporation does not enjoy any special privileges.

CHINA

China's Five-Year Plan, covering the period 1946 to 1950, envisages a capital outlay equivalent to \$7,300 million. Of this total, almost two-fifths will be devoted to transport and trade, about the same proportion to mining and industries, and the rest to power and agricultural development. The plan provides for the raising of half the required finance from domestic resources, and half from abroad.

ECUADOR

The Economic Development Plan of Ecuador, approved in 1945, covers agriculture, cattle raising and industry. Its special emphasis is on agriculture. The execution of the plan is to be carried out by the Ministry of Economy in co-operation with other agencies, such as the Development Corporation. To cover part of the plan's finance, a loan of 6,500,000 sucres was obtained from the Central Bank for the years 1945 to 1947.

EGYPT

The Five-Year Plan initiated in 1945 calls for expenditures amounting to \$210 million. The largest sectors of the plan are health and related fields (over two-fifths) and transport (over one-fifth). Provision is also made for expenditure on hydro-electricity, agriculture, irrigation, industry, commerce, education and social security. The largest individual project is the Aswan Dam, where hydro-electricity will be utilized largely for the production of artificial fertilizers. A second government-owned petrol refinery is also projected. Improvements of water supply for the rural population are given urgent consideration. The main planning body is the Committee of Economic Development, established under the Council of Ministers.

GUATEMALA

Guatemala has no over-all plan for economic development, but basic ideas and directives are contained in a Law for Industrial Development, presented to Congress in 1947.

The Law establishes a priority system for the promotion of industrial investments by classifying industries into three groups. The first contains the "basic" industries, food, clothing and shelter, which have an immediate bearing on raising the standard of living. The second group contains industries of a less essential character than the first, but considered useful for promoting full employment and utilization of natural resources in industries. In the third group are classed activities of lesser national importance.

INDIA AND PAKISTAN

In India, great interest is taken in development planning and the Dominion Government has plans for railway, highway and industrial development. An Advisory Planning Board was created in 1946. The Government is planning to undertake and operate many large hydro-electric projects, such as the Damodar project, and a large government-owned artificial fertilizer factory is understood to be nearing completion.

The provincial governments of the Dominion of India also have many plans. The emphasis in all Indian plans is on industrial and power development, although plans for the development of communications, literacy and hospitals also occupy a prominent place.

Information relating to India and Pakistan indicates that the plans of central and provincial governments will involve about \$5,000 million. Electrical development, railways, roads, agriculture, and education, in that order, will account for the greatest expense. Also included in the plans is the annual production by 1952 of an additional three million tons of food grains. The Dominion of Pakistan is in a stronger position agriculturally than the Dominion of India. Further, its jute and tea exports are expected to strengthen its balance of payment position. On the other hand, Pakistan has less than a proportionate share of the sub-continent's industries and coal deposits. Although it is too early to determine the main lines of development planning in Pakistan, it is certain that the development of hydro-electricity will play a crucial part.

IRAN

Following the establishment in 1946 of a Supreme Planning Council, a Seven-Year Development Plan was started in 1946 and 1947, with a total envisaged investment of approximately \$900 million. Expenditures on public health make up more than one-half of the total and agriculture and irrigation make up one-fourth. Foreign capital is expected to provide about one-third of the total cost. A Bank of Industry and Mines, capitalized at \$75 million, was established in 1946. In the same year, a law was passed providing for the estates of the ex-Shah and the State crown-lands to be distributed among landless farmers. Irrigation schemes include the construction of ten dams to irrigate 150,000 hectares of cultivable land. The coal mines in the Teheran area are to be developed. Industrial development will rely largely on State ownership.

IRAQ

Iraq has announced a five-year programme for railway improvement, at a total cost of \$20 million. A long-range road-building programme is being worked out by a committee of five experts. Among several irrigation schemes, the Habaniyah project is the most noteworthy. Credits for assisting private industry are allocated from the State budget.

MEXICO

The Mexican Government has promoted development both through an over-all Six-Year Plan and through specific measures and projects. The Federal Electricity Commission has made several local surveys to estimate the possibilities of hydro-electric development. An extensive programme of development for the six years ending 1952, costing about \$265 million, has been drawn up. The Mining Development Commission is dealing with the mineral resources of the country. It has proved useful in furnishing technical and financial assistance to Mexican mining industries.

The Government is anxious to secure foreign assistance and finance for its development projects and has already borrowed more than \$104 million from the United States Export-Import Bank of Washington. It is understood more loans are in process of negotiation. In addition, an application for a loan of \$209 million for development purposes has been made to the International Bank for Reconstruction and Development.

The Manufacturing Industries Law approved in April 1941 contains many provisions for exemptions from tax and customs duties for industries classified as basic. These are mainly those industries producing foodstuffs and other necessities, or relying wholly or mainly on domestic raw material and resources, whose further development is desired. A great many industries have used the facilities granted under this law. Industries so favoured by special treatment represent a sizable addition to the national economy since their establishment was responsible for an increase of about one-fifth in over-all industrial production in the 1941 to 1946 period, apart from the normal growth of the already established enterprises.

Another powerful tool for industrial and general economic development is the use of government credits through a financing body called *Nacional Financiera*. This lending institution has been very active in financially

strengthening many old and new enterprises. In the period from 1941 to 1946, it granted loans and credits of about \$115 million, besides making direct investments of about \$45 million. The share of the main branches of industrial activity in the sources of finance was as follows: steel, twenty-five per cent; electricity, ten per cent; cement, three per cent; railways, highway equipment, etc., twelve per cent; paper, three per cent; artificial fibres (mainly rayon), eight per cent; fertilizers, 2.5 per cent; petrol, nine per cent. *Nacional Financiera* borrowed \$63 million from the Export-Import Bank for the purchase of machinery and equipment for various economic activities in Mexico. Another indication of the growth of activities of *Nacional Financiera* in industrial promotion is that in 1946 it granted credits to industries amounting to nearly 600 million Mexican pesos; in 1945, credits for the same purpose amounted to less than 400 million Mexican pesos. Since 1947, the activities of *Nacional Financiera* in the promotion of industries have been limited to large enterprises. Medium and small-sized firms are now dealt with by the *Banco Nacional de Fomento Cooperativo*.

PERU

Peru does not have a central development plan, department or centralized development corporation. The work in this field is done mainly through regional or specialized agencies, under the auspices of the Ministry of Finance and Commerce. The most important of these is the Santa Corporation established in 1943 with a capital of \$31 million. On 31 December 1945, this Corporation, based on the Santa River watershed, had invested approximately \$7 million, including forty-two per cent in railways; thirty-two per cent in a hydro-electric plant; and twenty per cent in port facilities and equipment. Hydro-electric development with an ultimate capacity of 125,000 kilowatts constitutes the core of the plans. Other hydraulic projects have been surveyed by the Corporation. Preparatory work for the establishment of a steel plant at Chimbote has begun, finance being made available by the Government through tax assignment and transfer of assets.

Peru also has an industrial bank, which on 31 December 1946 had invested \$4.5 million in industry, the most important fields being textiles and lumber.

During 1947, a Peruvian Coal Corporation with a capital of \$38 million was established.

PHILIPPINES

The Reconstruction Finance Corporation started operating on 2 January 1947 and up to 30 April 1947 approved almost 900 loans amounting to 25 million Philippine pesos, more than half of which represented real estate loans and over one-third industrial loans.

Definite plans for industrial rehabilitation and development have not yet been announced officially. There are indications that they will cover a period of fifteen years with an envisaged expenditure of 3,200 million Philippine pesos, to be divided equally between industries on the one hand, and social services such as housing, hospitals and schools, on the other.

Important programmes in the field of economic development have been pursued by the National Development Company, which, by the end of 1946, had invested 32 million Philippine pesos, including the following: cement, 18.5 per cent; food production, 30.5 per cent; textiles, 4.5 per cent; coal mining,

four per cent; pulp and paper, three per cent; steamship operations, twenty per cent; airlines, 7.5 per cent.

POLAND

The Central Planning Board announced a Four-Year National Economic Plan covering the years 1946 to 1949, combining reconstruction and long-range development. Expenditure estimates for the whole period are not available. For 1947, however, they would total about 120 million zlotys, one-fourth of which is to be allotted to industry; one-seventh, to transport and reconstruction; and one-sixteenth, to agriculture. The following are the production goals expected to be reached by 1949 (1946 = 100): agriculture, forestry and fisheries, 211.1; industry, mining and handicraft, 227.6; services, 270.4; and national income, 235.5. A high level of investment corresponding to about twenty per cent of the national income is provided.

It is hoped that up to one-fifth of all investment will be financed by foreign credits. A loan application for \$600 million has been made to the International Bank.

The share of industry and services in the national income is to be raised from sixty-one per cent in 1938 to seventy-four per cent in 1949. Coal output of 80 million tons is planned. This would be 10 million tons more than the 1938 output in the same area. The target for employment in engineering is to be 165,000. Trucks, locomotives, freight cars, tractors, motor cycles, and bicycles are to be produced on a large scale.

Industrial development is largely planned on a basis of public ownership, and agriculture largely on a co-operative basis, particularly in distribution and procurement.

TURKEY

The Turkish Five-Year Plan announced in 1947 covers industrial development in the main. Its details are not as yet complete, but it is believed to aim at increased production of iron, cement, glass and textiles in order to replace current imports. A steel capacity of 300,000 tons is one objective. The five-year programme for transportation envisages an average annual expenditure of about \$8 million. Because of its Five-Year Plan of 1934, Turkey is the pioneer of development planning in the Middle East. A Land Law providing for redistribution of land was enacted in 1946. Turkish irrigation and drainage schemes for the next seven years will cost more than \$80 million. Two State banks control industrial development.

VENEZUELA

The newly-created Venezuelan Development Corporation, established in 1946, is actively engaged in the fulfilment of the most urgently needed immediate plans. Its funds consist of \$27 million in grants and loans, certain other assets and an annual assignment from the government budget. Of \$6 million which the corporation granted in credits in 1946, almost half went to agriculture and cattle raising, especially the financing of a milk syndicate, and about one-third to the establishment of a large cement plant. Investments in 1947 are estimated at \$26 million, food and livestock items accounting for almost three-quarters of that sum. At a later stage, the Corporation is to

draw up a general development plan, including surveys of resources, demography, national income, balance of payments, and education.

At the administrative level the work on development is focused in a Ministry of Development and an Advisory National Economic Council, established in 1946. The main trend of policy is one of "dispersing the petrol", i.e. reducing the country's excessive dependence on petrol exports.

Other organs of development include an Agricultural and Livestock Bank, with capital entirely subscribed by the Government, supplemented by an Export-Import Bank loan; a Workers' Bank similarly financed, and an Industrial Bank, with sixty per cent of its capital government-subscribed and with regular annual government contributions. The Government grants, customs reductions or total exemptions on equipment and materials needed by domestic industries, specially imported cotton.

The Venezuelan Government also participates with the Governments of Colombia and Ecuador in a joint project designed to foster the development of a merchant marine.

YUGOSLAVIA

Yugoslavia's Five-Year Plan, adopted in April 1947, provides for capital investment of nearly \$5,600 million. Almost one-third will flow into mining and industries, and over one-fourth into communications. The plan lays down detailed targets, and pays special attention to the least developed areas of the country. The plan's aim is to raise national income to a level ninety-three per cent above that of 1939. The rate of investment envisaged is very high, rising to 27.3 per cent of the national income. Reconstruction and development problems are inextricably interwoven but the plan is mainly concerned with new development. The share of capital goods in industrial output is to be raised from 43 per cent in 1939 to 57 per cent in 1951; in absolute figures it is to be 6.5 times that of 1939. Industrial production, which represented less than one-fifth of the national income in 1939, is to be raised to almost one-half. The main instruments of planning are the Central Planning Commission, and the planning commissions established by the individual People's Republics.

FRENCH OVERSEA TERRITORIES

The development of certain of these areas on the basis of long-term plans covering ten years is provided for in a law passed in April 1946. Funds are raised by metropolitan budget allocations and long-term loans from the Central Bank of Overseas France, as well as from the territories directly concerned. General control of development plans is vested in the Department of Overseas France. The Monnet Plan embraced North Africa and the African overseas territories, in addition to the special plans outlined below.

A Ten-Year Plan has been prepared for Morocco. Its targets include coal production—400,000 tons in 1951—electrification of the railway system, and hydraulic plants calling for the expenditure of 3,000 million francs over three years. The corresponding plan for Tunisia includes two hydraulic projects with an annual capacity of 150 million kilowatt hours and the irrigation of 173,500 acres; it is administered by a special *Bureau du Plan*.

Expenditure under the programme for 1947 for French West Africa is esti-

mated at 4,400 million metropolitan francs out of a total of 12,700 million for all the oversea territories, and includes the following:

	Percentage of total
Ports	9.6
Railways	13.5
Navigable waterways	0.5
Roads	12.4
Aviation	1.7
Telecommunications	10.3
Electricity	1.7
Agriculture and animal husbandry.....	14.2
Mines	1.4
Health	9.2
Education	6.9
Town planning	13.2
Purification of water.....	4.8
Cartography	0.6

Heavy increases in the production of ground-nuts, palm oil, rubber, cotton, sisal and citrus fruit are planned for the African territories, and production of building materials is to be started. Sixty hotels are to be built to encourage the tourist trade.

NON-SELF-GOVERNING TERRITORIES OF THE UNITED KINGDOM

Under the Colonial Development and Welfare Act of 1945 which made available \$480 million over a ten-year period, many oversea territories have drawn up ten-year development plans. They relate particularly to general social services, such as health and education, and to agriculture and transport.

The character of these plans may be illustrated by the example of Nigeria where an expenditure of over \$210 million is envisaged for the ten-year period, to be distributed as follows:

	Percentage of total
Agriculture and related items.....	14.9
Transport and communications.....	21.4
Industries, commerce and electricity.....	3.4
Local development schemes.....	3.8
Education	14.6
Health	19.6
Town and village development and urban water supplies	8.2
Social welfare	0.7
Miscellaneous	13.4

About forty per cent of this expenditure is to be covered by grants under the Colonial Development and Welfare Act.

The creation of two corporations in this field has recently been approved by Parliament. One is the Colonial Development Corporation, which has a wide range of activities and is permitted to borrow up to \$400 million. The second is the Overseas Food Corporation, specifically designed to promote schemes for food production. Its borrowing power is set at \$260 million. It is to

take over and expand the ground-nut scheme in East and Central Africa. The Corporations are to supplement, but not to supplant, private enterprise.

The machinery of planning is under the Secretary of State for the Colonies, advised by a Colonial Economic and Development Council, supplemented by a number of official research bodies. Expenditures are fairly evenly divided between "Development" in the narrower sense, and "Welfare".

INTERNATIONAL ACTION IN ECONOMIC DEVELOPMENT

International action to promote development in under-developed countries has been making considerable progress on the organizational side. Most specialized agencies and the various economic and social bodies of the United Nations are concerned with some aspect of economic development. Conversely, there is hardly a facet of economic development which is outside the purview of some international organ. Some of them are touched upon in other parts of this report, dealing with the economic activities of the various United Nations agencies, but a brief summary would include the following. The International Bank for Reconstruction and Development has received loan applications from such under-developed countries as Chile, Iran and Mexico which are now being studied, and has under way studies of how best to serve loan applicants in their further development. The International Monetary Fund has sent out technical missions to assist under-developed countries, at their request, in matters concerning monetary and financial reform. The Food and Agriculture Organization, in the course of its activities in the field of agricultural development, which is of great importance for under-developed countries, has also had to cope with problems of related industrial development, such as water resources, production of fertilizers, and small-scale rural industries. The International Labour Organisation is concerned with a wide range of problems closely bearing on development, such as occupational training, migration, organization of public work programmes, labour relations, social security, and wage policy. In addition, regional conferences held under the auspices of the International Labour Organisation have dealt with the specific social and economic problems of Latin America, Asia and the Middle East. The United Nations Educational, Scientific and Cultural Organization has started projects for field work in a number of under-developed regions in Asia, America and Africa. Although the World Health Organization is still in the provisional stage of organization, its Interim Commission is at work through field missions in many parts of the globe. The charter for an International Trade Organization (still in draft form at the time of writing) has the economic development of the less developed countries as one of its objectives.

The United Nations organs themselves deal with other important aspects of development. The Fiscal Commission, the Statistical Commission, the Transport and Communications Commission, the Economic Commission for Asia and the Far East, the Economic Commission for Europe, the proposed economic commissions for Latin America and for the Middle East, the Social Commission, the Population Commission and the Trusteeship Council all deal with one or more aspects of the economic development of under-developed countries.

The danger, indeed, that economic development, which requires an integrated approach, may be broken up into too many separate facets was noted by the Economic and Social Council's Sub-Commission on Economic

Development, in its first session, from 17 November to 16 December 1947. The Sub-Commission is concerned, not with separate aspects of economic development, but with economic development as a whole. In its first report to the Economic and Employment Commission, it stresses the "need for viewing economic development in terms of the country as a whole" and states that "in the absence of such a national viewpoint, there is a danger not only of an inadequate and slow economic development, but also of development that may be socially wasteful".¹ With respect to the field of action of national Governments in the sphere of economic development, the Sub-Commission did "not express any opinion on the merits or demerits of private or public and State enterprise";² but it felt "that economic development on the required scale in the under-developed and least-developed countries is not likely to be secured without a significant part being played by national Governments". It also emphasized "the necessity of a closer liaison between the Governments of the under-developed and least-developed countries on the one hand and the United Nations and its specialized agencies operating in the field of economic development on the other";³ noting in this connexion that technical assistance had already been provided by several of the specialized agencies, but that those agencies were of necessity limited to their own specific fields and that "need existed for the provision of assistance covering the field of economic development as a whole".⁴

While recognizing that the "under-developed and especially the least-developed countries have a very small margin of savings because of their low income", the Sub-Commission nevertheless emphasized "that the finances required for economic development have to come largely from the effort of the peoples concerned, from the improvement in their national economic structures, and from increasing national productivity".⁵ At the same time, the Sub-Commission found that "a considerable measure of foreign financing will be required for promoting" the economic development of many of the under-developed countries and that the available sources of international loans for development were "entirely inadequate to the needs".⁶ "If economic development is to progress more rapidly during the next few years, a larger and better regulated flow of foreign funds than is currently available will have to be promoted by and through international agencies working within the framework of the United Nations."

The Sub-Commission took special notice of the serious immediate problems that were facing many of the under-developed countries, citing among these problems: shortages of goods, inflationary conditions, balance of payment difficulties, transport difficulties, difficulties of obtaining domestic or foreign capital, and the high prices of the goods that have to be imported by the under-developed countries. It then "agreed that under-developed countries have not so far received international assistance on the scale justified either by the urgency of their problems or by the magnitude of their requirements"

¹ United Nations document E/CN.1/47, 18 December 1947, part V, paragraph 6(e).

² *Op. cit.*, part V, paragraph 9.

³ *Ibid.*, paragraph 16.

⁴ *Op. cit.*, part VI, paragraph 25.

⁵ *Ibid.*, paragraph 1.

⁶ *Ibid.*, paragraph 2.

⁷ *Ibid.*, paragraph 4.

⁸ *Op. cit.*, part VII, paragraph 1.

and recommended the following resolution for adoption by the Economic and Social Council after due consideration by the Economic and Employment Commission:

The Economic and Social Council,

A. (1) *Recognizing* that the current economic position of the various under-developed economies is so serious as to prevent them from efficiently embarking on and/or continuing long-range schemes of economic development,

(2) *Recognizing* that the internal resources are the basis of economic development and that foreign aid can only be considered as a supplementary resource,

(3) *Recognizing* nevertheless that an effective handling of the short-period problems is not possible without rapid and substantial international loans and credits in the form of both funds and goods,

(4) *Recognizing* that the quantum of foreign loans and credits available either through international or national channels is limited, that substantial calls are already being made on these funds by the economically more developed areas of the world, and that there is great danger of the short-term needs of the economically under-developed areas being neglected,

(5) *Recommends* that immediate international provisions be made for those under-developed countries by way of finance, food and equipment, in order that they may better deal with their short-term economic problems, and thus facilitate not only the promotion of their own economic development but also the successful rehabilitation of the economies of the more developed parts of the world and the maintenance of world stability and full employment, but that such provision should not be used for the purpose of exploitation or of obtaining political or other advantages for the countries rendering such assistance.

B. (1) *Recognizing* that it is necessary that immediate international provisions be made to assist in meeting the short-period economic problems of the under-developed economies,

(2) *Recognizing* that it is difficult to ascertain the amount of help necessary without a comprehensive study of the immediate requirements of countries in different economic circumstances, and

(3) *Recognizing* that it is desirable to have specific data collected about the magnitude and variety of the short-period requirements of those countries,

(4) *Notes with satisfaction* the terms of reference of the Economic Commission for Asia and the Far East, and

(5) *Recommends* that similar functions be assigned to other Regional Economic Commissions that may be set up by the United Nations.

C. (1) *Recognizing* that it is imperative that there should be an early contribution toward the rapid solution of the immediate short-period problems of the under-developed economies, and

(2) *Recognizing* that it would not be possible to find from international sources all the funds and equipment necessary for the solution,

(3) *Is strongly of the opinion* that the Governments of under-developed countries should proceed to consult with one another and with others, in such manner as they deem fit, on their short-period requirements and on the extent to which these could be met by mutual economic agreements and by better utilization of their national resources.

PART IV

INTERNATIONAL ACTION IN THE ECONOMIC FIELD

This concluding part of the report is designed to provide information on the main activities of the United Nations and of specialized agencies in the economic field. This brief account of their activities shows the wide scope of economic problems now open for effective international action. The problems range from those arising out of the Second World War, involving the economic reconstruction and recovery of the world, to those related to the fundamental economic principles embodied in the Charter of the United Nations. The comprehensive mechanisms now available to deal with these problems, with the exception of the International Labour Organisation, have been created by the United Nations in a period of less than three years.

The sections of this part that relate to the International Labour Organisation, the Food and Agriculture Organization, the International Bank for Reconstruction and Development, and the International Civil Aviation Organization have been prepared by the agencies concerned. The Secretariat of the United Nations is responsible for the sections relating to the activities of the United Nations and of the International Monetary Fund; the latter section has been based on material made available by the staff of the International Monetary Fund. The section on the United Nations is concerned primarily with the description of the organization and the major activities of the Economic and Social Council and its subsidiary bodies in the economic field. The economic activities of the Secretariat of the United Nations will be reported in future issues of the *Economic Report*.

THE UNITED NATIONS

During 1946 and 1947, the Economic and Social Council, which under the Charter is the primary organ of the United Nations created to deal with economic affairs, necessarily devoted time and effort to the development of machinery for the study, analysis, and preparation of recommendations on economic matters. The Secretariat was developed simultaneously so that the many aspects of economic affairs to be considered by the Council could be dealt with adequately. Thus, at the end of this period there exists a Secretariat structure that closely parallels the structure of the organs of the Council and is designed to provide them with statistical data, reports and analyses, and other services needed for carrying out their functions effectively.

The character of the economic problems has, however, demanded urgent action in many cases, and the General Assembly and the Council have devoted considerable time to the consideration of policies to be recommended to the Member nations. The records of both the Assembly and the Council indicate the breadth of the problems already reviewed and acted upon, and only a brief résumé is attempted here. In what follows, emphasis has been placed upon the new machinery that has been created, since it is through these new organs for international consultation and collaboration that the objectives of the Charter will be realized.

The General Assembly and the Council have both given urgent consideration to the problem of the economic reconstruction of devastated areas. Acting under a General Assembly resolution of February 1946, the Council established a Temporary Sub-Commission on Economic Reconstruction of Devastated Areas which, during its period of operation, made detailed analyses and field inquiries in devastated countries, covering short-term and long-term prob-

lems with respect to man-power, food, agriculture, fuel and power, major industries, housing, transport, finance and currency, and trade. For each of these, measures of international co-operation were recommended. In addition, relief needs after the termination of the United Nations Relief and Rehabilitation Administration were studied and reported on by the Special Technical Committee which the General Assembly created for that purpose in December 1946. On the same occasion, the General Assembly directed the Secretary-General to consider ways and means of collecting and utilizing, for relief purposes, voluntary non-governmental contributions equivalent to all individual earnings for one day's work. Conscious of the urgency of this matter, the Economic and Social Council on 29 March 1947 instituted the United Nations Appeal for Children to promote voluntary fund-raising; the International Children's Emergency Fund, established on 11 December 1946, is to be the main recipient of the proceeds of the collection.

In the light of its review of the report of the Temporary Sub-Commission on Economic Reconstruction of Devastated Areas, and taking cognizance of discussions of the matter in the General Assembly, the Council, on 28 March 1947, created a regional Economic Commission for Europe, to deal specifically with economic reconstruction and related problems in European countries. As its counterpart in Asia and the Far East, an Economic Commission for Asia and the Far East was established at the same time.

The Economic Commission for Europe held its first session in May and a second session in July 1947, both in Geneva. The Commission reports directly to the Council on its work. It has absorbed certain functions of the several European emergency economic organizations which operated during and immediately after the Second World War. It has created working groups and sub-committees to consider inland transport problems, coal allocation, and material and man-power shortages, in close co-operation with the specialized agencies concerned.

The Economic Commission for Asia and the Far East met in June and again in November 1947, in Shanghai and Baguio (Philippines), respectively, and worked out a programme of study with a view to making recommendations on reconstruction and other economic problems of the Far Eastern area. Like its sister organization in Europe, it is to collaborate on regional matters with the specialized agencies, and has secured particularly close working relations with the Food and Agriculture Organization.

Economic reconstruction problems of devastated territories in North Africa and Ethiopia, falling outside the geographical scope of the regional Commissions referred to above, have been studied by the Secretariat. A request that a field inquiry should be made in Eritrea, Cyrenaica and Tripolitania was made but was subsequently postponed. Meanwhile, a proposal for the creation of an Economic Commission for Latin America was referred by the Council, in August 1947, to an *ad hoc* Committee, for review and consultation with existing international organizations concerned with Latin America. This Committee is expected to report to the sixth session of the Council. Meanwhile, a proposal made to the second session of the General Assembly by certain United Nations Members, regarding the establishment of a Middle Eastern economic commission, has been referred to the Economic and Social Council.

The Economic and Social Council also created advisory commissions and sub-commissions in major economic fields:

1. The examination of broad economic questions has been assigned by the Council to the Economic and Employment Commission, whose general function is to advise on the policy to be pursued in order to ensure economic stability throughout the world and to promote economic development, especially of undeveloped areas. From the outset of its activities, the Commission, under its general mandate, has devoted particular attention to the problem of economic reconstruction of devastated areas and to the question of international action regarding better utilization of world resources of man-power, materials, labour and capital, and to the question of international action to maintain full world employment and world economic stability.

Assisting the Commission are two sub-commissions. The Sub-Commission on Employment and Economic Stability is charged with studying the problem of fluctuations in economic activity, analysing the causes of these fluctuations, examining related policies, and advising the Commission on measures to be recommended for achieving economic stability and full employment. The Sub-Commission on Economic Development has the task of studying the problems of economic development, with particular attention to the inadequately developed parts of the world, studying, in this connexion, the effects of industrialization and technological changes on the world economic situation, and advising the Commission on the principles which should guide development policies designed to promote the fullest and most effective utilization of natural resources, labour and capital, and to raise the standard of living.

The Economic and Employment Commission has held two sessions since its establishment, and each sub-commission has met once.

2. Another advisory organ, the Fiscal Commission, has been created to study and make recommendations on questions of public finance. This Commission has held one session, at which it recommended a programme of work for the Secretariat of the United Nations, including the building up of a fiscal information service to give technical information and assistance on fiscal matters, on request; the compilation and publication of public finance data; the continuation and expansion of the work undertaken by the League of Nations in the field of international tax problems, with particular reference to further action to be taken for the solution of such problems; and documentary and other research in the field of double taxation.

3. The Statistical Commission has the general function of assisting the Council in (a) promoting the development of national statistics and the improvement of their comparability; (b) co-ordinating the statistical work of specialized agencies; (c) developing the central statistical services of the Secretariat; (d) giving advice on questions concerning the collection, interpretation and dissemination of statistical information; and (e) promoting the improvement of statistics and statistical methods in general.

Among the matters which have received particular attention at the two sessions held by the Commission in 1947, reference may here be made to statistical sampling, industrial classification, and national income recording.

The study of the first-mentioned matter is entrusted to a Sub-Commission instructed, in this connexion, to give special consideration to the use of statistical sampling methods in meeting the actual needs of the United Nations and the specialized agencies, with a view to filling gaps in the information they need.

A committee of the Commission has been set up to prepare a standard indus-

trial classification, to serve the purpose of improving the comparability of national statistics in this respect.

The Commission having recommended that publication of national income and expenditure data be undertaken by the United Nations to provide comparable figures for as many countries as possible, work to that end is pursued by the Statistical Office of the Secretariat as one among its manifold activities in the statistical field.

4. The principal tasks of the Transport and Communications Commission are to study the international aspects of land, sea and air communication and transport problems; to follow the activities conducted in this field by specialized agencies and regional commissions of the United Nations; to ensure the proper co-ordination of these activities; to report on these matters to the Economic and Social Council; and to advise more especially on the simplification of passports and frontier formalities and other measures designed to facilitate international travel.

Having been instrumental during the past year in the establishment, by the Economic Commission for Europe, of an Inland Transport Committee to promote the development, and to effect the desired co-ordination of inland transport in Europe, the Transport and Communications Commission is studying the desirability of having corresponding bodies set up for regional transport co-ordination in the Far East and in Latin America. It is also considering the organization of inland transport in Africa.

On the Commission's recommendation, the Economic and Social Council has authorized the holding of a United Nations Maritime Conference, scheduled for early 1948, to examine the question of establishing a world-wide inter-governmental maritime shipping organization. Furthermore, with reference to the work on co-ordination of shipping, aviation and telecommunication activities, to provide safety at sea and in the air, a problem to which the Commission is devoting particular attention and for the study of which a special Committee of Experts has been set up, the Council has instructed the Secretariat to assist in that Committee's work, preparatory to the International Conference on Safety at Sea to be held in 1948 at the invitation of the Government of the United Kingdom.

The Special Committee on Information Transmitted under Article 73 (e) of the Charter, which was established by the General Assembly in the fall of 1947 to replace the previous *ad hoc* Committee, is authorized to examine the information transmitted on economic, social and educational conditions in the Non-Self-Governing Territories (other than Trust Territories) and to make substantive recommendations regarding such conditions to the General Assembly. The conditions of economic, social and political well-being of the Trust Territories are under the international supervision of the Trusteeship Council.

The activities of the United Nations in the field of international trade have centred around the Preparatory Committee of the International Conference on Trade and Employment. It met in the fall of 1946 and again in the spring and summer of 1947 to lay the basis for a specialized agency for trade questions and to provide opportunity and facilities for the participating Governments to negotiate multilateral trade agreements. A General Agreement on Tariffs and Trade and a wide range of individual schedules of tariff concessions were evolved during the sessions of the Preparatory Committee and were published by the United Nations. The draft charter for an international trade organiza-

tion, drawn up by the Preparatory Committee, was presented for the consideration of the United Nations Conference on Trade and Employment which opened in Havana on 26 November 1947.

To facilitate and co-ordinate inter-governmental consultation and action with respect to commodity problems pending the establishment of the International Trade Organization, the Secretary-General, at the request of the Council, has appointed an Interim Co-ordinating Committee for International Commodity Arrangements. The Preparatory Committee and the Food and Agriculture Organization are represented on this interim committee.

Special conferences are called from time to time by the United Nations to facilitate an exchange of views and experience in technical fields closely related to the economic activities and programmes of Governments. The World Statistical Congress, for example, was convened in September 1947 at the suggestion of the Statistical Commission. In March 1947, the Economic and Social Council decided that a United Nations Scientific Conference on Conservation and Utilization of Resources should be held, to be convened not earlier than 1948; the conference will be devoted solely to an exchange of ideas on natural resource problems and to discussion of related experience among engineers, resource technicians, economists, and other experts.

Acting under its Charter responsibilities and the recommendations of the General Assembly, and assisted by the Secretariat, the Economic and Social Council is undertaking the co-ordination of the policies and activities of its subsidiary organs with those of the specialized agencies, in accordance with the existing agreements between these agencies and the United Nations. Within this general co-ordination effort, undue duplication of international statistical and economic work is being eliminated by the inauguration of close technical co-operation among the United Nations and specialized agency secretariats.

THE INTERNATIONAL LABOUR ORGANISATION

The work of the International Labour Organisation in the economic field has continued during the past year to be concerned mainly with the maintenance of full employment, the closely related problem of income security, and the social policies associated with economic development.¹

FULL EMPLOYMENT

During 1947 there were, fortunately, very few countries in which serious unemployment was experienced; in most cases the problem was rather one of man-power shortages, at least in certain key industries. The memory of past depressions and unemployment is, however, still fresh, and at each of the meetings of the industrial committees of the International Labour Organisation, in which representatives of Governments and of employers' and workers' organizations come together to discuss the problems of particular industries, consideration has been given to the need for measures to ensure the maintenance of full employment. In each case, the importance of measures to maintain the over-all level of economic activity has been recognized, but attention has also

¹ For a fuller account of the activities of the International Labour Organisation in 1947, reference may be made to the *First Report of the International Labour Organisation to the United Nations* (International Labour Office, Geneva, 1947, 2 volumes).

been given to the special problems involved in maintaining full employment in the industries concerned.

Thus, the Textiles Committee, in addition to calling for plans to secure full employment to textile workers throughout the world, expressed concern over possible future unfair competition from Germany and Japan, and asked for study and other appropriate action by the Governing Body of the International Labour Office, the Economic and Social Council, and other international organizations, "to help the threatened countries in maintaining the stability of their industry".¹

The Building, Civil Engineering and Public Works Committee was more concerned with the dangers of long-term fluctuations in activity and drew the attention of Governments to the need to collect statistical information which will facilitate the prediction of an impending crisis, and to plan ahead over a fairly long period, with a view to maintaining full activity in the industry and stabilizing employment. In this connexion, the Committee suggested that Governments should continuously review their existing policies relating to expenditure, taxation, and home and foreign trade.²

Two other industries for which industrial committees have been set up are among those which are most severely affected by cyclical fluctuations: the iron and steel industry, and the metal trades. As a result of requests made at the first sessions of these committees,³ the International Labour Office prepared reports on the problems of regularizing production and employment at a high level in these industries⁴ for consideration at the second session held in Stockholm in August and September 1947.

The first of these analyses the nature and magnitude of seasonal and other fluctuations in the iron and steel industry, and surveys the present outlook for the industry in a number of countries. It then discusses various proposals for reducing short-term fluctuations and examines the relationship between full employment in the economy as a whole and the problem of regularizing production and employment in the steel industry. The report submitted to the Metal Trades Committee analyses the extent and causes of fluctuations in the automobile industry, and the wide repercussions of these fluctuations on other industries, and it discusses the actual or probable effectiveness of measures attempted or proposed as aids to the regularization of automobile production and employment. The conclusions reached by the committees as a result of their examination of these reports, together with proposals for further studies, are under consideration by the Governing Body of the International Labour Office.

¹ Cf. "First Meeting of the ILO Textiles Committee" in *International Labour Review*, January to February 1947, pages 77 to 84, in which the texts of the resolutions adopted by the Committee are reproduced.

² Cf. "First Meeting of the ILO Building, Civil Engineering and Public Works Committee", in *International Labour Review*, January to February 1947, pages 85 to 96.

³ International Labour Organisation, Iron and Steel Committee, *Report of the first session* (International Labour Office, Geneva, 1947), and International Labour Organisation, Metal Trades Committee, *Report of the first session* (International Labour Office, Geneva, 1947).

⁴ International Labour Organisation, Iron and Steel Committee, second session (Stockholm, 1947), *Report II: Regularization of Production and Employment at a High Level* (International Labour Office, Geneva, 1947); and International Labour Organisation, Metal Trades Committee, second session (Stockholm, 1947), *Report II: Regularization of Production and Employment at a High Level: The Automobile Industry* (International Labour Office, Geneva, 1947).

Resolutions on employment in the inland transport industry, including the achievement of a stable and maximum level of employment, were adopted by the Inland Transport Committee,¹ which also called for further studies of various problems, including the influence of the structure of the transport industry on conditions of employment in the industry, and the decasualization of dock labour. A further resolution of the Committee, proposing that arrangements be made with the United Nations for a study of the co-ordination of transport, has been transmitted to the United Nations.

One of the measures which the International Labour Organisation has long and persistently advocated, for the purpose of offsetting fluctuations in the general level of employment in private industry, is the counter-cyclical timing of public investment. This principle is embodied in the Public Works (National Planning) Recommendations adopted by the International Labour Conference in 1937² and 1944³ and in the resolution concerning the maintenance of full employment during the period of industrial rehabilitation and reconversion, adopted by the Conference in 1945.⁴ The practical application of the principle of counter-cyclical timing of public investment is, however, beset by many difficulties. The International Labour Office, therefore, undertook a detailed analysis of these difficulties and late in 1946 published the results of this analysis in a report on *Public Investment and Full Employment*, together with suggestions as to ways in which these difficulties might be overcome. The proposals made in this report were considered in 1947 by the International Development Works Committee of the International Labour Organisation, which agreed that they "should be given very careful consideration by all Governments engaged in planning public investment". The proposals cover the timing, planning and financing of such investment.⁵

The maintenance of full employment requires an efficient employment market, with a high degree of inter-occupational and geographic mobility of labour. Great importance attaches, therefore, to the proper organization of employment services.

A recommendation on this subject was adopted by the International Labour Conference in 1944⁶; and in 1947, on the basis of experience in the application of this recommendation, the Conference drew up a list of points for inclusion in a convention and in a supplementary recommendation.⁷ These will be considered at the thirty-first session of the Conference in San Francisco in June 1948.

Various other aspects of man-power problems have been under review dur-

¹ Cf. "Second Session of the ILO Inland Transport Committee", in *International Labour Review*, June 1947, pages 556 to 563; and International Labour Organisation, Inland Transport Committee, second session (Geneva, 1947), *Report II: Employment in Inland Transport* (International Labour Office, Geneva, 1947).

² International Labour Office: *International Labour Code*, pages 20 to 22.

³ *Ibid.*, *Official Bulletin*, Vol. XXVI, pages 75 to 77.

⁴ *Ibid.*, Vol. XXVIII, pages 23 to 31.

⁵ *Ibid.*, *Public Investment and Full Employment* (Montreal, 1946), page iii and pages 303 to 305.

⁶ Cf. *Ibid.*, *Official Bulletin*, Vol. XXVI, pages 74 to 75.

⁷ International Labour Conference, thirtieth session, *Reports V(1), V(2)* and *Supplement: Employment Service Organisation*; and International Labour Conference, Geneva, thirty-first session, *Report IV (1): Employment Service Organisation* (International Labour Office, Geneva, 1947).

ing the past year.¹ Of considerable interest in this connexion is the adoption, by the Sixth International Conference of Labour Statisticians in August 1947, of detailed recommendations concerning the form and content of statistics of employment, unemployment and the labour force.²

Certain industries, in particular coal mining and textiles, have suffered from man-power shortages and the industrial committees concerned have sought remedies for this situation.

The Coal Mines Committee has given long and careful consideration to the regulation of recruitment for work in coal mines, including the recruitment of foreign workers, displaced persons and ex-prisoners of war. If the shortage of miners is to be overcome, the standing of coal mining as an occupation will, it believes, have to be raised; improvements should be made in the miners' standard of living, social security and conditions of work.³ The Textiles Committee also viewed with great concern the reluctance of young persons and adults to accept employment in the textile industry and the disinclination of former textile workers to return to the mills, and recognized that the industry would, in future, have to offer better attractions through assurances of guaranteed adequate minimum wages, satisfactory working conditions and regular employment.⁴

Full employment has given prominence to the need for improved vocational training. The International Labour Organisation had before the war devoted much attention to this problem and, in 1939, recommendations on vocational training and apprenticeship were adopted by the International Labour Conference.⁵ The subject of vocational guidance has now been placed on the agenda of the 1948 session of the Conference and detailed studies of existing law and practice are being prepared for the consideration of the Conference.

Problems of vocational guidance and training in particular industries have also been considered by several of the industrial committees, and an inquiry is being conducted into the possibility of organizing regional American co-operation in promoting vocational training. The importance of taking suitable steps to secure a sufficient supply of skilled personnel is also one of the subjects for discussion at the regional meeting for the Near and Middle East in Istanbul in November 1947.

Consideration has also been given to various aspects of migration problems. The Permanent Migration Committee of the Organisation, at its meeting in August 1946, drew attention to the fact that migration on a considerable scale depended mainly on the adoption of measures for the development of the

¹ Cf. "Post-War Manpower Problems in Europe", in *International Labour Review*, June 1947, pages 485 to 511 and International Labour Conference, thirtieth session, *Report I: Report of the Director-General* (International Labour Office, Geneva, 1947), chapter II.

² Cf. International Labour Office: *International Standards for Statistics of Employment, Unemployment and the Labour Force, Cost of Living and Industrial Injuries* (International Labour Office, Montreal, 1947).

³ Cf. "Second Session of the ILO Coal Mines Committee", in *International Labour Review*, May 1937, pages 404 to 409; and International Labour Organisation, Coal Mines Committee, second session (Geneva, 1947), *Report II: Utilization of the Resources of the Coal Mining Industry* (International Labour Office, Geneva, 1947).

⁴ Cf. "First Meeting of the ILO Textiles Committee", in *International Labour Review*, January to February, 1947, pages 77 to 84.

⁵ Cf. *International Labour Code, 1939* (International Labour Office, Montreal, 1941), pages 157 to 168.

industrial and agricultural resources of the countries to which immigrants come; on satisfactory financial arrangements being made; and on adequate transport and housing facilities being available. The Committee recommended, and the Governing Body has agreed, that Governments be consulted on the desirability of revising the Migration for Employment Convention, 1939, and the related recommendations.¹

The Committee also recommended that Governments be consulted on the possibility of drawing up a model agreement for use in negotiating conventions and agreements regarding migration. This consultation is under way and the results will, as soon as possible, be submitted to the Committee with a view to the submission of a draft text to the International Labour Conference.

The Permanent Migration Committee also made detailed suggestions on the technical selection and vocational training of migrants; and these suggestions have been transmitted to Governments. Finally, the Committee drew attention to the need for co-operation among the various international organizations concerned with migration.

INCOME SECURITY

One of the principal objectives of social policy is a higher degree of security of income for wage-earners and others whose standards of living are always at the mercy of unemployment and loss of earnings. The movement for social security is reflected in the increasing development of the various forms of insurance against unemployment, sickness, old age, and industrial injury, a development which has owed much to the international labour conventions adopted on this subject and to the various related activities of the International Labour Organisation in this field.² The modern trend is in the direction of a closer co-ordination of these forms of protection, or their consolidation into a single comprehensive programme; this trend is reflected in the Recommendation on Income Security, adopted by the International Labour Conference in 1944.³

More recently, the work of the International Labour Organisation in this field has been developing along two main lines. In 1946, the Maritime Session of the Conference at Seattle adopted new conventions concerning social security for seafarers; the special needs of other groups of insured persons whose conditions and problems differ from those of industrial wage-earners, and of countries where sparsely inhabited areas present one of the major problems of social administration, are under review. In the second place, special attention is being given to the administrative and actuarial aspects of social security schemes, and the International Labour Office is being increasingly called upon by Governments to co-operate with them, both in framing laws and regulations on the basis of the decisions taken by the Conference, and in solving the practical problems of social security administration. During 1947 the special problems of social security in Asia were considered by the Preparatory Asian Regional Conference of the Organisation,⁴ and a number of the technical prob-

¹ Cf. *International Labour Code, 1939*, pages 518 to 537.

² Cf. International Labour Office: *Approaches to Social Security: an International Survey* (Montreal, 1942); and *First Report of the International Labour Organisation to the United Nations, op. cit.*, Vol. I, chapter V.

³ *Ibid.*, *Official Bulletin*, Vol. XXVIII, pages 4 to 25.

⁴ Cf. Preparatory Asian Regional Conference of the International Labour Organisation, New Delhi, 1947, *Report I: Problems of Social Security* (International Labour Office, New Delhi, 1947).

lems of social insurance institutions were examined by the Inter-American Conference on Social Security held under the auspices of the Organisation.¹

The main source of income, however, is earnings from employment, and an opportunity is being provided at the 1946 session of the International Labour Conference for a general discussion on wage policy. The Conference will have before it a report which will deal, among other things, with certain aspects of the problem of guaranteed wages to which increasing attention is being given in many countries. In addition, the Conference will be called upon to consider the protection of wages, i.e., measures to ensure that workers actually receive the wages they are entitled to, and the question of fair wage clauses in public contracts.

Some of the problems involved in the adoption, in the iron and steel industry and the metal trades, of annual and other wage systems designed to provide assured earnings, were examined by the Industrial Committee for those industries at their meetings in 1947,² and the conclusions reached by the Committee are under consideration by the Governing Body of the International Labour Office.

In many countries at the present time, the major threat to the real incomes of wage and salary earners, and of other income groups, comes from the inflation which has been in progress ever since the war. The Director-General of the International Labour Office, in the sections of his report to the 1947 session of the International Labour Conference which described the economic background to the social problems of the year, pointed out that "effective resistance to inflationary tendencies requires the concerted effort of all the different parties concerned".³ This requires, in particular, a balancing of the immediate apparent advantages of price or wage increases to the beneficiaries thereof, against the dangers of generalized inflation.

Appraisal of the position will be assisted by improved methods of measuring changes in the cost of living. It is of interest, therefore, to note that the Sixth International Conference of Labour Statisticians, held in 1947, adopted detailed recommendations on this subject.⁴

The extent to which the national product is equitably distributed among the

¹ Inter-American Conference on Social Security (Rio de Janeiro, 10 to 22 November 1947) *Report I: Report of the Secretary-General; Reports II, III, and IV: Technical Reports*. "The Insurance of Occupational Risks"; "Unemployment Insurance"; "Conclusions of the Joint Meeting of the Medical and Statistical Commissions" (International Labour Office, Montreal, 1947).

² International Labour Organisation, Iron and Steel Committee, second session (Stockholm, 1947), *Report III: Minimum Income Security, "Annual and Other Wage Systems Designed to Provide Assured Earnings"* (International Labour Office, Geneva, 1947); and the report with the same title submitted to the second session of the Metal Trades Committee.

³ International Labour Conference, thirtieth session (Geneva, 1947), *Report of the Director-General* (International Labour Office, Geneva, 1947), page 118.

⁴ International Labour Office: *International Standards for Statistics of Employment, Unemployment and the Labour Force, Cost of Living and Industrial Injuries, adopted by the Sixth International Conference of Labour Statisticians, Montreal, August 1947*. (International Labour Office, Montreal, 1947), pages 17 to 19. These recommendations were to be considered by the Governing Body of the International Labour Office in December 1947. Cf. also International Labour Organisation, Sixth International Conference of Labour Statisticians (Montreal, August 1947), *Report III: Cost-of-Living Statistics: Methods and Techniques for the Post-War Period* (International Labour Office, Geneva, 1947).

various factors of production depends, at least in part, on the bargaining strength of the parties concerned. It is therefore appropriate in this connexion to note the attention given during 1947 to problems of freedom of association and the right to bargain collectively. The International Labour Conference at its thirtieth session unanimously adopted a resolution affirming that employers and workers should have the inviolable right to establish or join organizations of their own choosing without previous authorization. The resolution also states that guarantees should be provided to enable the right of freedom of association to be exercised without fear of intimidation, coercion or restraint from any source. The International Labour Conference will consider, next year, whether provisions of this kind should be embodied in an international labour convention.¹

ECONOMIC DEVELOPMENT

Measures to maintain full employment and to provide greater security of income, though essential, are not enough in themselves to assure adequate improvements in living standards. In the less developed regions of the world in particular, the promotion of economic development is of at least equal importance; and the social policies to be followed in the process of development are of special concern to the International Labour Organisation.

At the 1947 session of the International Labour Conference, consideration was given to these problems as they arise in non-metropolitan territories, and five international labour conventions were adopted.

Probably the most important of these is the Social Policy (Non-Metropolitan Territories) Convention, 1947, which begins by laying down a number of general principles, among them that all policies designed to apply to non-metropolitan territories shall be primarily directed to the well-being and development of the peoples thereof and to the promotion of the desire on their part for social progress. The improvement of standards of living is to be regarded as the principal objective in the planning of economic development. In order to promote economic advancement, every effort should be made to secure financial and technical assistance, on an international, regional, national, or territorial basis. Other provisions of this Convention deal with methods of improving standards of living, with the special problems of migrant workers, with remuneration, non-discrimination, education, and training.

The economic background of social policy, including problems of industrialization, formed one of the main topics of discussion of the Preparatory Asian Regional Conference of the Organisation held at New Delhi in October and November, 1947. A report² on this subject submitted to the Conference by the International Labour Office surveys the main characteristics of the Asian economies and analyses the problems involved in raising the present low levels of productivity and income. The somewhat similar problems facing the countries

¹ It will be recalled that the question of freedom of association was placed on the agenda of the thirtieth session of the International Labour Conference, at the request of the United Nations Economic and Social Council, which transmitted to the International Labour Organisation, memoranda on the subject that had been submitted to the Council by the World Federation of Trade Unions and the American Federation of Labor.

² International Labour Organisation, Preparatory Asian Regional Conference, *Report IV: The Economic Background of Social Policy, including Problems of Industrialization* (International Labour Office, New Delhi, 1947).

of the Near and Middle East were discussed in a report¹ prepared for the regional meeting for the Near and Middle East to be held in Istanbul in November 1947. In each case, particular attention was given to the related problems of raising agricultural output and developing both small and large-scale industries, to the ways in which capital might be secured for such purposes, and to the wide scope for international co-operation in these fields.

THE FOOD AND AGRICULTURE ORGANIZATION OF THE UNITED NATIONS

The dominant fact in the world food and agricultural situation is the continuing shortage of food.

The major international action towards making the best possible use of available food supplies has been the work of the International Emergency Food Council (IEFC), through the allocation of scarce foods and of fertilizers. The Council provided the means through which the position of supplies could be reviewed continuously, needs and availabilities could be related to each other, and procedure could be worked out for the orderly distribution of the world's supplies of scarce commodities. Although some important producers of major food commodities have not participated in the work of the IEFC, the procedure, whereby there has been joint examination of the situation and agreement as to distribution, has been an important factor in achieving efficient utilization of available supplies.

When IEFC was established early in 1946, it was hoped that its functions would no longer be necessary after the end of 1947. The disappointing 1947 harvests in the Northern Hemisphere have effectively dispelled that hope, and it now seems clear that this function of allocating scarce supplies will need to be continued, at least until mid-1948. Following the establishment of the World Food Council at the third session of the conference of the Food and Agriculture Organization (FAO) in Geneva, steps have been taken to integrate the work of IEFC with that of the World Food Council, maintaining the work of the Central Committee and of the commodity committees, as well as the staff which has been servicing these committees.

The establishment of the World Food Council at Geneva was agreed upon as an important step towards keeping the world food situation under constant review and towards recommending action to Governments or to other international agencies from time to time. The Council was given the following functions, among others:

1. To keep under constant review matters within the scope of the annual inter-governmental policy consultations of the organization; to tender advice on such matters to Governments of member nations, inter-governmental commodity councils or other commodity authorities, and, through the Director-General, other specialized international agencies.

2. To examine current developments in proposed and existing inter-governmental agricultural commodity arrangements, particularly those developments affecting adequacy of food supply, utilization of food reserves and famine relief, changes in production or pricing policies, and special food programmes for undernourished groups.

¹ International Labour Organisation, Regional Meeting for the Near and Middle East, *Report of the Director-General* (International Labour Office, Geneva, 1947).

3. To promote consistency and integration of agricultural commodity policies, national and international, with regard to (a) over-all FAO objectives, (b) inter-relationship of production, distribution and consumption, and (c) inter-relationships of agricultural commodities.

4. To initiate and authorize groups to study and investigate agricultural commodity situations which are becoming critical, and to propose appropriate action, if necessary.

5. To advise on emergency measures, such as those relating to the export and import of food and materials or equipment needed for agricultural production, in order to facilitate implementation of national programmes.

The newly constituted Council held its first meeting early in November 1947. In considering the world food problem it was found useful to distinguish three phases: immediate, intermediate, and long-term.

The most immediate short-term problem is to produce the maximum amount of food available for human consumption by the summer of 1948. The second, or intermediate, phase, which may cover four or five years, is to expand food production wherever possible and to make sure that the necessary supplies of fertilizers, farm machinery and other equipment are available. The third phase is that of long-term agricultural development and improvement in nutritional levels, particularly in the less developed areas of the world. The problems are inter-related and cannot be dealt with successively; action on all three needs to be initiated now.

In view of the inadequacy of cereal supplies from the 1947 harvest and the unfavourable reports of winter wheat prospects in the Northern Hemisphere, the Council recommended that, in all countries, there should be a maximum seeding of cereals, including rice, for the next harvest. It made a number of recommendations concerning the livestock situation which has arisen in Europe as a result of the cereal shortage and the effects of the 1947 drought on fodder crops and pasture, and urged measures for increasing supplies of feed and for ensuring the best use of available feed during the coming months.

The Council expressed its conviction that significant additional quantities of food could be made available for human use if infestation of foodstuffs could be more adequately controlled. The Council therefore is circulating to member Governments a memorandum on the subject, asking them, where appropriate, to give special and immediate consideration to developing an effective programme of inspection and infestation control.

The Council noted certain difficulties in obtaining sufficient ships to transport food which is actually available, and asked member Governments concerned to take appropriate steps. The relevance of foreign exchange difficulties to the international movement of essential foodstuffs was brought to the attention of the International Monetary Fund.

Studies have been initiated to determine what steps can be taken to increase fertilizer production, and especially to increase the output and export availability of nitrogen fertilizers in the immediate future. Member Governments have also been urged to increase the export of machinery and spare parts to areas where they are most needed. The Council also recommends a study of the probable demand and supply position for farm machinery over the next five years.

The Council recommended that in view of the present world food shortage and the needs of a progressively increasing world population, there is urgent

need for initiating, where it has not already been done, national programmes for increased production. Such programmes should also include the preparation of statements of needs for production items such as tractors, implements and fertilizers, in order that steps may be taken to have these made available in time. Accordingly, the Council has established a Policy Committee on Production and Distribution, which will secure information and prepare analyses, in order that it can report to members of FAO upon the implication of the world situation in regard to nutrition, production and trade and make recommendations regarding the increase of production and the adjustment of supplies and requirements where necessary and practicable. These studies and reports are to be closely related to those of individual commodity situations, as well as to those made by other international organizations. In countries where no programmes have yet been formulated, FAO will assist, if requested, by making technical advice available for the drawing up of national plans.

The possibility of inter-governmental agreement in regard to important agricultural commodities is being studied. The Council has convened a meeting on rice to be held in the Far East in February to consider what action can be taken at the governmental level to improve production and distribution, following the recommendations of the Rice Study Group which met in India early in 1947, and to consider what further inter-governmental action is appropriate. Further inter-governmental study of fats and oils is to be carried out, as well as study of the most effective means of increasing production and consumption of dried whole and skim milk. A study is to be made of the problems of international trade in fresh vegetables and fresh fruits.

In co-operation with the Economic Commission for Europe (ECE), there is now under way an analysis of the current agricultural situation in Europe, compared with the pre-war status, including crop yields and production, livestock numbers and production of livestock products, the food situation, levels of nutrition, and measures under way to relieve the food situation. On the basis of information concerning official production programmes, an effort is being made to predict the agricultural situation in Europe in 1950 and 1951, and particular attention is being given to the needs for man-power, the production, materials, equipment, and internal financing which are required, the import-export aspects of programmes, and the place of agriculture in balance-of-payment programmes.

The FAO Conference held at Geneva endorsed the recommendations of the Preparatory Commission on the importance of promoting agricultural and industrial expansion concurrently, especially in less developed countries, and pointed out that both agricultural and industrial development will require large-scale investment. For many countries, this will involve external financial aid and may involve reorganization of national financial systems. The Conference particularly stressed the need for effective over-all co-ordination of such development programmes.

FAO has taken over from the United Nations Relief and Rehabilitation Administration (UNRRA) the remaining projects under the Agricultural Industry Service. The purpose of this Service is to use production engineering to improve living standards in low-income rural areas; the Service uses locally available raw materials and local labour and skills. It works through small-scale low-capital industries, to increase the over-all productivity of an area immediately and directly. At present, the programme includes plants producing

cement, ammonium sulphate, coke, tar, pitch, benzol, sulphuric acid, organic fertilizers, high-grade iron castings, bricks, milled rice, brown sugar, vegetable oils, and filtered chlorinated water.

National and international agencies have been kept informed concerning the world food situation through the issuance, during the current year, of a number of up-to-date reviews of the present situation. Progress has also been made in the preparation of food balance-sheets for individual countries, showing the production and stocks situation, including imports and exports, and also the utilization of available supplies. For some countries, such an appraisal requires the development of new statistical series and, for others, it requires the development or improvement of series already available. This work has been carried on co-operatively among the FAO secretariat and the national Governments. The periodic issuance of commodity reviews has also been initiated; these give, for the major agricultural and food commodities, a periodic appraisal of the supply and demand position, the prospects for production and utilization, as well as the competitive position of the commodities. These reviews are to be continued. A *World Fibre Survey* was published, setting forth the economic position and policy in relation to the chief natural fibres: cotton, wool, silk, hemp, jute, abaca, sisal, and henequen. The review also includes consideration of the competition of natural with synthetic fibres.

Arrangements have also been completed for the publication of the *Economic Review of Food and Agriculture*, to provide regular appraisals of the world food situation, the economic position of agriculture, national, regional and world-wide, including its relation to general economic trends, and the effect of industrial activity and the national income on current and prospective demand for food and other agricultural products. There are also to be reports of special studies in individual countries and of commodity developments, agricultural legislation, credit, co-operatives, labour, and other subjects.

Because accurate information is basic to the formulation of programmes, continued attention has been given to the development of statistical series relating to agriculture, forestry and fisheries. Three year-books are being issued, one on food and agriculture, one on forestry, and one on fisheries. Plans have also been perfected for the regular issuance of more frequent statistical series in these fields, including statistics on prices for agricultural products.

The 1950 world census of agriculture will contribute to the improvement of national and international statistics. In addition to the assistance being given to individual countries to develop their plans, technical conferences have been arranged to work out such modifications in the proposed programme as are needed to adapt it to local conditions. A conference of European statisticians was held in the spring of 1947, and a similar conference with statisticians from Latin American countries was held in the autumn, in connexion with meetings arranged by the Inter-American Statistical Institute. Another conference, to consider methods for adapting the programme to agriculturally under-developed areas, is being held in December 1947.

A training school in agricultural statistics, including current statistics and census programmes, is to be opened in Cairo in January 1948. Governments in the Middle East are being invited to send trainees for a three months' intensive training programme, under the direction of a technician supplied by FAO. Training programmes for other areas are under consideration.

Scarcity of wood supplies is one of the principal factors delaying reconstruc-

tion in Europe. Softwood lumber, a basic necessity for construction in domestic and commercial buildings, and for packaging, transport, and many other uses, is the main item in short supply. Pit props, essential in the drive for increased coal output, and ties or sleepers for railroad maintenance, are among other items over which there is concern.

For various reasons, export supplies available to the timber-importing countries of Europe, from European export sources, have dropped to less than a half of their pre-war level. At the same time, internal demand is rising steeply in North American and other producing countries, thus limiting increased imports from these sources.

The International Timber Conference which met in Czechoslovakia in the spring of 1947 considered that any alleviation in the softwood lumber position would also ease the situation for other forest products, such as pit props, ties or sleepers, hardwoods and pulpwood. The Conference, therefore, put forward a number of agreed measures which could, if applied simultaneously, reduce, and perhaps eliminate, the gap between available supplies and essential requirements. One measure accepted was an increase of ten per cent in fellings by European countries or, alternatively, restriction of consumption so as to reduce requirements in the same proportion.

The situation, so far as it affected the sixteen countries participating in the Timber Conference, was further reviewed during the meetings of the Committee of European Economic Co-operation, and again, for the whole of Europe, during the first meetings of the Timber Sub-Committee of the Economic Commission for Europe, held in October 1947. The Timber Sub-Committee concluded that the increases in production scheduled by the major producing countries could be achieved only if the necessary equipment and machinery, transport, man-power, food, fodder, and coal could be made available in time. The means for achieving this still remain to be worked out.

Nevertheless, the nature of the problem was clearly shown by the fact that, as 1947 drew to a close, exporting countries still had timber supplies available, for which they were unable to find buyers. The reasons for this were (a) a general shortage of foreign currency, compelling Governments to curtail all imports, (b) the requirement of certain exporting countries that timber be paid for in dollars or other hard currencies, and (c) a very substantial rise in timber prices. If monetary requirements could be solved, the timber position within Europe would be greatly alleviated. There would be, for instance, an assured supply of pit props to sustain increased coal output, which in turn would reduce fuel-wood demand so that labour could be diverted to the production of logs and sawn lumber destined for construction. Similarly, pulp and paper now sold overseas to obtain exchange might be made available within Europe to relieve the news-print and paper shortages.

Factors limiting the consumption of fish in Europe are related more closely to the problem of distribution than to production. Distribution, and therefore consumption, is hindered because of budgetary and exchange difficulties, and this situation has deteriorated in recent months because of further restrictions on the convertibility of currency.

An extensive development of quick freezing of fish, with concurrent expansion in refrigerated transport and storage facilities, will enable supplies to be distributed throughout the year in areas not now receiving sufficient quantities of fresh fish. Furthermore, the quick freezing of fish will permit a more effec-

tive utilization during periods of heavy catches. FAO is making consultative services and technical information available and is working with Governments through its liaison officer in Europe. The Organization is making available to Governments the latest information on quick freezing and cold storage methods and is preparing reports for communication to Governments on the facilities existing in European countries for handling frozen fish. With regard to the stimulation of consumer demand, FAO is taking steps to provide full details of successful publicity methods and to furnish particulars to the various FAO national committees. FAO is also working towards the development of uniform standards of quality for fishery products entering into international trade; if these are accepted by the nations, consumer demand should increase and should make possible the marketing of the increased quantities of fish which can be made available after production plans are implemented.

While it may not be possible to increase substantially the catch of some varieties of fish, the production of other kinds, such as herring, is considered capable of significant expansion without endangering stocks in the sea. FAO is working in close collaboration with the International Council for the Exploration of the Sea, which is primarily interested in the waters of the north and north-east Atlantic. The Organization is planning, with the approval of the Conference, to initiate the establishment of a regional council for the Mediterranean Sea and contiguous waters. The function of this Council will be to bring together existing data and to recommend investigation by Governments on a wide range of questions, basic to full development of marine resources, such as distribution of species, seasonal variation in abundance, effect of fishing operations on numbers, and effective methods of propagation, stocking, disease control and control of pollution.

FAO is also taking steps to establish regional councils in Asia for study of the sea. The first Organization meeting is planned for South East Asia in February 1948. FAO has also proposed the establishment of a fisheries institute for South East Asia; this would be controlled and financed by co-operating Governments and would be responsible for developmental work in fishing methods and technology and might also have a training school for native instructors. This proposal will be considered at the meeting to be held in South East Asia in February 1948.

THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

The basic character of the Bank's lending operations is prescribed by its articles of agreement. Loans may not be for relief purposes or for political purposes; they must be for either reconstruction or development. There are also certain conditions which must be met under the articles: there must be reasonable prospects of repayment, the project or programme to be financed must be recommended by a competent committee after a careful study of the merits of the proposal, and the borrower must be unable to obtain the loan elsewhere under conditions considered by the Bank to be reasonable.

PROVISIONAL LOAN PRINCIPLES

In addition to the conditions prescribed by the articles of agreement, the Bank has developed, in practice, a number of general principles, as a provi-

sional guide to use of its charter powers. They are summarized briefly in the following paragraphs.

Strategic use of funds. The Bank believes that, in the present state of the world, its funds should be so used as to result in the greatest possible increase in productivity in the shortest possible time. This principle applies both to reconstruction and to development loans. Until this time, the Bank has necessarily given particular emphasis to the problems of European recovery; in Europe the need for assistance in repairing the devastation caused by the war is urgent, and productive capacity and skills already exist which can be put to work quickly to raise the level of world output and restore world trade. But the urgency of European recovery does not detract from the importance of prompt reconstruction and development in other areas—Latin America, Asia, Africa, and the Middle East. Indeed, it should not be very long before the financing of development projects in those areas will tend to become the primary concern of the Bank.

Self-help. The Bank's resources must not be used simply to relieve the borrowing nation of tasks which that country could justifiably be required to perform itself. The major effort in the reconstruction or development of any nation must be made by the peoples of that nation themselves.

Limited commitments. A single loan application may relate to a reconstruction or development plan which will take several years to complete. It is not the Bank's policy to grant loans in such cases for the whole period of the plan, but to lend, in the first instance, sufficient to cover the needs of a limited period. At the end of that period application may be made for a further loan; this will be considered in the light of the progress made with the assistance of the first loan and of the position as it then appears. This policy has the advantage that the Bank does not commit itself to long-range forecasts of conditions, either in the borrowing country or in the market in which it will have to raise the necessary funds; moreover, it enables the Bank to discharge more effectively its continuing responsibility for the proper utilization of loans. This principle is subject to some modification in exceptional cases of projects requiring a long period of time to complete.

Control over use of proceeds. When a loan has been granted, the proceeds are made available to the borrower only against evidence that the goods or services to be paid for with these proceeds are within the purposes of the loan as set forth in the loan agreement. Arrangements are also made, by observation within the borrowing country, to ensure that the goods so purchased are in fact put to their intended use.

Information and consultation. The Bank needs to know, not only that its funds are being used for the purposes for which they were intended, but also the extent to which achievement of those purposes contributes as anticipated to the reconstruction or development plan of the borrower. The Bank is also directly interested in the general economy of the borrower, since this affects the security of the loan. The Bank, therefore, requires that the borrower keep it fully informed, through the regular submission of statistical and other information and through consultation, with respect to all significant economic and financial developments. This calls for a much closer relation between the Bank and its borrowers than has been usual between creditor and debtor in the international field. Such a relation is possible because the Bank is fundamentally a co-operative international institution which lends only to its member

countries or upon their guarantee; since the borrower or guarantor is a member of the institution, it has an interest in the Bank's success and, indeed, participates in the framing of its lending policy.

Rate of interest and commission. The interest rate charged by the Bank must be such as to enable the Bank to meet the cost of borrowing and still leave a sufficient margin to cover operating expenses and to build up appropriate reserves. So far, this rate has been three and a quarter per cent per annum. Current policy is to charge interest only from the date of disbursement and on the amount disbursed, and to charge, in addition, a commitment fee at the rate of one and a half per cent per annum, from the date on which the Bank undertakes a firm commitment to make the loan, to the time of disbursement.

The articles of agreement require that the Bank charge a commission at least during the first ten years of its operation, of not less than one per cent and not more than one and a half per cent per annum on all guarantees and on all loans made out of borrowed funds. This so-called "statutory commission" is to be set aside in a special reserve available to meet the obligations of the Bank in the event of default on its loans. Current policy is to charge a uniform commission of one per cent on the outstanding amount of loans, regardless of the source of the funds.

Redemption provisions. The Bank desires to encourage borrowers, wherever possible, to redeem loans prior to maturity. Provision is accordingly made in loan agreements for redemption at any time prior to maturity, subject to the payment of an appropriate premium, and for waiver of this premium by the Bank in cases where it can use the amount so repaid in its current operations.

LOAN PROCEDURE

During the early stages of the Bank's development, consideration of a loan to any particular member country was normally initiated by filing with the Bank a formal request for funds. In some cases, a fully documented loan application was lodged, setting forth in detail the purposes for which the loan was requested and giving comprehensive information with respect to the economic and financial situation of the prospective borrower. In others, the loan application consisted of little more than a request for financial assistance, with no implementing programme or supporting documentation.

As a result of its experience, the Bank prefers to hold informal exploratory discussions with prospective borrowers before any formal loan application is filed. Where such discussions have been held, they have enabled the applicant to frame its plans and programme and to shape its application, in conformity with the policies and requirements of the Bank. Such preliminary discussions, too, serve to avoid applications of a type which the Bank cannot finance.

The investigation which the Bank makes of each loan application covers not only the programme or project for which the funds are sought, but all important aspects of the borrower's economic position as well. The studies include surveys of the borrowing country's agriculture, industry and mineral resources; of its man-power, production, and transport situation; of the state of its external trade and balance of payments; and of the condition of its internal finances, particularly its budget and currency position. The debt record of the prospective borrower is also studied and, if it has defaulted on its obligations, investigation is made of the causes of the default, of the efforts made

to reach a settlement with creditors, and of the borrower's attitude towards a possible resumption of debt service. In the normal case, representatives of the Bank investigate conditions in the borrowing country on the spot. Where necessary, the plans and estimated costs of engineering projects are examined with the assistance of such technical experts as may be required for a proper appraisal.

LENDING OPERATIONS

During the past year, the Bank has granted four loans—to France, the Netherlands, Denmark, and Luxembourg—for a total of \$497 million. These loans are described in the paragraphs which follow.

Loan to France. On 9 May 1947, an agreement was signed granting a loan of \$250 million to the *Crédit National*, a semi-public French corporation created in 1919 to assist in financing reconstruction and development of the French economy. The loan is guaranteed by the French Government. The application was originally made for \$500 million, but the Bank considered it necessary to limit its commitment to the needs of the immediate future, stating that it would be willing to consider an additional application from France later in the year and that the decision on any such application would be made in the light of conditions then prevailing, with particular reference to the progress made in carrying out the reconstruction programme.

The importance of France in the economic position of Europe made it particularly fitting that France should be the first country in whose reconstruction the Bank should play an active part. France is vital to western Europe because of its size and its productive capacity, and the problem of the recovery of France cannot be divorced from the recovery of western Europe as a whole.

By the end of 1946, France had made remarkable progress in erasing the effects of the war and of enemy occupation. The volume of production had been restored to approximately ninety per cent of the 1938 level and the volume of exports to seventy-five per cent. But this expansion in production and in exports had involved heavy imports, necessitating a depletion of gold and foreign assets by over \$1,600 million, and the incurring of debt abroad to the extent of \$2,600 million.

The Bank is fully aware of the uncertainties and difficulties facing France. Leaders of the French Government themselves have stated that they realize that unless France's budgetary difficulties are overcome, the ensuing fiscal instability will endanger the entire reconstruction programme. Some of the factors impeding recovery are beyond the control of France. But to the extent that France has been able to speed its own recovery, considerable success has been achieved. The external debt record has been excellent. The Bank believes that its loan will contribute to the process of French reconstruction and that the risks involved are of the type which the Bank was designed to accept.

Loan to the Netherlands. On 7 August 1947, a loan of \$195 million was granted to the Kingdom of the Netherlands. The loan proceeds are to be devoted exclusively to the reconstruction of productive facilities in the Netherlands homeland. None of the proceeds are to be applied to the Netherlands East Indies or for military purposes.

Application was originally made for an amount of \$535 million, to cover a reconstruction programme from 1947 to 1949, inclusive, but the Bank limited its commitment to needs arising from the 1947 portion of the programme. The

Bank will be prepared to consider requests that may be made for further credits for 1948 and 1949 in the light of the progress made as a result of the present loan and of such needs as may then exist.

The abnormally heavy imports necessary to replace war damage and losses, in conjunction with the loss of Germany as the principal source of imports and as an important market, and with the decline of supplies and revenue from the Netherlands East Indies, have placed a heavy strain on foreign exchange resources of the Netherlands. Thirty-five per cent of essential imports in 1947 will have to come from the United States; in 1938 the United States supplied only eleven per cent of the Netherlands imports, while Germany provided more than twenty per cent.

In granting the loan, the Bank has taken into account the importance of the recovery of the Netherlands to the economic well-being of Europe and of the world as a whole. It has also given due weight to the qualities of determination and energy which the people of the Netherlands have displayed in the past, and which have been well exemplified in the remarkable progress already made in restoring output and in combating inflation. The excellent debt record of the Netherlands and its long tradition as an important creditor nation make it a good credit risk.

The progress already made gives promise that the 1947 goals can be reached. As regards the future, the Netherlands, which has always been highly dependent on international trade, is bound to remain sensitive to international political and economic factors, among which the speed with which free convertibility of European currencies can be restored is of prime importance. This sensitivity calls for enterprise and adaptability on the part of the Dutch people. There clearly exists a stern necessity, not only for further increase of industrial output, but also for a reorientation of trading relationships in the light of the changed situation in Germany and in the Netherlands East Indies.

Loan to Denmark. On 22 August 1947 an agreement was signed granting a loan of \$40 million to the Kingdom of Denmark. The original application was for a loan of \$50 million.

The loan is designed to hasten Danish economic recovery over the next two years by making possible the import of essential capital goods and raw materials, such as agricultural and textile machinery, machine tools, trucks, steel products, textiles, and chemicals.

By the end of the war, German depredations, the depreciation of farm and industrial machinery, and the loss of forty per cent of the pre-war merchant fleet had greatly impaired the efficiency and competitive power of the Danish economy. Energetic measures have been taken to promote recovery, and, with the national budget balanced, production increasing, and price and wage levels under control, Denmark has attained a degree of economic stability which should permit the assistance afforded by the Bank's loan to become effective quickly.

The loan constitutes approximately eight per cent of the contemplated capital expenditures to be made by Denmark during 1947 to 1948, the great bulk of the reconstruction effort depending upon private enterprise and private financing.

Before the war, Denmark had never defaulted on any external debt. During the German occupation, with most of its foreign assets blocked, Denmark continued full interest payments in the United States, Switzerland and Sweden,

but was compelled to suspend payments of principal. In England and certain other creditor countries, interest as well as sinking fund payments had to be suspended, again as a result of the blocking of assets, but payments were resumed in 1945. There are now no arrears of interest due in any country and the Danish Government has advised the Bank that, as soon as conditions permit, Denmark intends to refund the only remaining overdue payments of principal, which are in dollars.

The Danish loan is in accord with the Bank's mandate to foster economic recovery of member nations in the interests of world trade. This external financial assistance is justified by the record of the Danish people in their endeavour to regain economic stability and by their attainment of their present rate of production and exports.

Loan to Luxembourg. On 28 August 1947, an agreement was signed granting a loan of \$12 million to the Grand Duchy of Luxembourg. Of this total, the equivalent of \$2 million will be lent in Belgian francs, the Government of Belgium having consented to the use of this sum out of Belgium's paid-in subscription to the capital stock of the Bank. The loan to Luxembourg, therefore, represents, to this extent, the Bank's first use of its non-dollar capital for lending operations.

The purpose of the Luxembourg loan is to finance the purchase of equipment for the steel industry and of rolling-stock for the railways. Iron and steel production is the major industry in Luxembourg, and exports of metallurgical products in the years directly preceding the war comprised up to eighty per cent of all exports. As a result of under-maintenance during the war, the industry needs to be modernized and its production adapted to post-war market requirements.

The railways of Luxembourg are of vital importance, both as adjuncts to the country's heavy industry and as international carriers linking the Ruhr, the Saar, Lorraine, Switzerland, and other inland areas with the Low Country ports. At present the railways of Luxembourg are suffering from a shortage of rolling-stock.

The loan from the Bank, by providing the means for raising the volume of traffic over Luxembourg's railways and for expanding the country's capacity to produce the type of steel products for which there is a heavy demand, is designed to increase Luxembourg's national production, income, and export potential. In addition, because of the critical shortage of rolling-stock in Europe and the part which iron and steel play in the reconstruction of the continent, the loan should contribute to Europe's recovery. Luxembourg has never defaulted on any Government obligations, except for interruption of service during the German occupation.

Additional formal loan applications. Apart from the four countries mentioned above, formal loan applications have been received from the following countries for the purposes indicated:

Chile, \$40 million: hydro-electric, forestry, harbour, urban and suburban transport, and railway projects;

Czechoslovakia, \$350 million: reconstruction of war damage and losses; restocking of raw materials; rehabilitation projects;

Iran, \$250 million: modernization and development of industry, agriculture and transport;

Italy, \$250 million: reconstruction and development;

Mexico, \$209 million: irrigation, hydro-electric, pipe-line, highway, railway, and harbour projects;

Poland, \$600 million: equipment and materials for reconstruction of coal mining, iron and steel, textiles, electricity, and transport.

These applications are in various stages of analysis and negotiation. In addition, the Bank is now engaged in informal discussions with several countries, preliminary to their submission of formal applications. In a few cases special missions have been dispatched to countries which have indicated their intention of applying for loans, to review with them their economic situation and requirements and to consider what action it would be possible and appropriate for the Bank to take. It is expected that these activities will become increasingly important as the Bank moves further into the development field.

FUNDS AVAILABLE FOR LOANS

Sound lending by the Bank is important, not only that its loans may prove productive, but also that the Bank may be able to borrow from the financial community the funds necessary for the Bank's own lending operations. It cannot be emphasized too often that the Bank must rely on private investment funds, rather than on its paid-in capital, for the main portion of its loanable resources.

The capital funds of the Bank required to be paid in by member Governments amount to only twenty per cent of the Bank's total subscribed capital; on 31 October 1947, this paid-in capital aggregated \$1,640,105,000, not including \$4,915,000 of authorized deferments. The remaining eighty per cent of the subscription of each member is subject to call only if needed to meet the obligations of the Bank. It is not available for lending purposes; its essential purpose is to provide an additional safeguard for those who invest in the Bank's securities.

Of the paid-in capital, only \$731,087,000 is represented by United States dollars; the remainder consists of local currencies of the various members of the Bank, other than the United States. The Bank has received permission from the United States Government to use, for lending purposes, the entire amount of the capital paid in by the United States. It has also received from Belgium permission to lend Belgian francs up to the equivalent of \$2,000,000 out of the Belgian paid-in capital. The Bank hopes and expects that its few other members which are now in a position to do so will similarly permit their paid-in capital to be used for loans when the occasion arises. As economic recovery proceeds in other nations, it is expected that they too will make available their paid-in capital.

At present, however, the demand is primarily for United States dollars and therefore, for all practical purposes, the only portion of the Bank's capital funds which has been available for lending consists of the approximately \$730 million represented by such dollars. For loanable resources in excess of this amount, the Bank must look to the sale of its securities in the private investment market, for the time being predominantly the United States market.

The Bank can secure the funds it needs from private investors only if it can convince them that its loans will be sound business risks. To be sure, investors in the Bank's securities have the guarantee afforded by the uncalled eighty per cent of the capital subscriptions of the Bank's members. By reason of this guarantee, the Bank is enabled to make loans of a size which the investment

market is unwilling to undertake, and in some cases for meritorious projects for which private financing is not yet available. However, despite this guarantee, it will not be possible for the Bank to sell its securities in the market in the amounts needed to carry out its objectives, unless investors have confidence that their funds will be used only for economically sound and productive purposes.

BORROWING OPERATIONS

On 15 July 1947, the Bank made the first public offering of its bonds. This consisted of \$100 million ten-year two and a quarter per cent bonds due 15 July 1957 and \$150 million twenty-five-year three per cent bonds due 15 July 1972. Both issues were priced at par. The offering was made through more than 1,700 security dealers throughout the United States, more than twice the largest number of dealers who had ever before participated in a single security distribution.

The offering was substantially oversubscribed. It must be remembered, however, that a major factor contributing to the success of the offering was the importance attached by American investors to the guarantee afforded by the eighty per cent uncalled portion of the United States subscription to the capital of the Bank. As the operations of the Bank become much more substantial, the Bank's portfolio of loans will be of increasing significance in the investor's judgment as to the worth of the bonds. Fundamentally, it is the character of this portfolio which determines the Bank's ability to borrow, and therefore to lend, in the sizable amounts contemplated by the draftsmen at Bretton Woods.

At present, the United States is the only market available in which the Bank's securities can be sold in large amounts. Furthermore, as has been pointed out, the present demand for loans is almost exclusively a demand for dollars, to make purchases in the dollar area. But these should not be continuing conditions; as production and available supplies increase in other areas of the world, other currencies will be available for the purchase of the goods required for reconstruction and development and nations other than the United States will be in a position to permit the export of capital. It may be reasonably anticipated, therefore, that in the future, as conditions improve, non-American capital may be tapped by the Bank's borrowing operations.

THE INTERNATIONAL MONETARY FUND

MEMBERSHIP AND SUBSCRIPTIONS

During the first eight months of 1947, five additional countries were admitted to membership in the International Monetary Fund, and a sixth (Finland) submitted an application for membership which was brought before the Board of Governors in September. The terms and conditions for the admission of Italy, Lebanon, Syria, and Turkey, which had been decided by the Board of Governors at their first annual meeting in September 1946, were complied with and membership was accepted within the period prescribed. The dates on which formal acceptance was registered are as follows: Turkey on 11 March 1947; Italy on 27 March 1947; Syria on 10 April 1947; and Lebanon on 14 April 1947. Australia, whose application for membership was approved in May 1947 by the Board of Governors in a vote without meeting, became the forty-fifth member of the Fund on 5 August 1947.

An additional Executive Director, Mr. Guido Carli of Italy, was elected on 14 May 1947, when the admission of the forty-second member, Italy, brought the votes of countries unrepresented by executive directors to a total of 4,060. He is entitled to cast the votes of Denmark, Venezuela, Turkey, and Italy.

With the increase in Fund membership and the upward adjustment in the quotas of other members, aggregate quotas rose from \$7,412.5 million in December 1946, to \$7,921.5 million on 15 November 1947. Of the aggregate quotas of \$7,921.5 million, \$6,597 million was the aggregate quota of countries for whose currencies par values had been agreed upon by 15 November 1947.¹ Quotas for members whose par values had not been agreed upon by 15 November 1947, amounted to \$1,325 million.

The first subscription payments began after 18 December 1946, when the Fund announced that it would begin exchange transactions on 1 March 1947. On 15 November 1947, the amount of subscriptions paid by countries whose par values have been established was the equivalent of \$6,584 million, so that the amount of authorized subscriptions yet to be paid was the equivalent of \$13 million. This excludes the subscriptions of countries whose par values have not been established. The Fund's holdings of gold on 31 August 1947 amounted to \$1,345 million and its holdings of currencies, including non-negotiable non-interest-bearing notes, amounted to the equivalent of \$5,233 million.

Gold depositories had previously been established in New York, London, Shanghai, Paris, and Bombay, and in almost all member countries a currency depository has been designated for the deposit of the member's currency owned by the Fund.

FOREIGN EXCHANGE TRANSACTIONS

After the Washington Conference of the Board of Governors in September 1946, the Fund, during the remaining months of 1946 and early 1947, was principally concerned with completing the determination of initial par values and preparing for actual exchange operations. Agreement on the structure of exchange rates had to be reached with thirty-nine members of the Fund. It was recognized that this was a formidable task under existing conditions. However, it had been generally foreseen that the Fund would have to begin its work in a period of disorder and devastation, and allowance for these conditions had been made in a number of provisions of the Fund Agreement. In fact, one of the major purposes in establishing the Fund was to ensure the maximum of international monetary co-operation and consultation in the transition period from war to peace. It was felt that a start towards orderly exchange arrangements could be made by establishing initial par values for as many countries as possible.

Accordingly, on 18 December 1946, the Fund announced its acceptance of the parities proposed for the currencies of thirty-two members and a number of non-metropolitan areas, and its intention of beginning exchange transactions on 1 March 1947. The Fund extended the period of consultation on the exchange rates for eight of the thirty-nine members—Brazil, China, the Dominican Republic, Greece, Poland, Yugoslavia, France in respect of French

¹ The \$6,597 million does not include Australia's quota of \$200 million since the Australian par value came into effect on 17 November 1947.

Indo-China, and the Netherlands in respect of the Netherlands Indies. Some of these nations were suffering from extreme inflation and it was necessary to rehabilitate their currencies before integrating them into the world structure of exchange rates. Uruguay's initial par value was not definitely established, pending the completion of certain legislative proceedings in that nation. An initial par value was not set for the Dominican Republic for technical reasons.

During 1947, the Fund established par values for four of the newly accepted members, namely, Turkey, Syria, Lebanon and Australia, and for Venezuela, which had accepted membership 30 December 1946. The par values established were those proposed by the respective countries and were based on existing rates for the United States dollar in these nations. Pending agreement on par values and the payment of subscriptions, members for whose currencies par values have not been established as of 17 November 1947, i.e., Brazil, China, Dominican Republic, Greece, Poland, Uruguay, Yugoslavia, and Italy, will not be able to use the resources of the Fund unless special terms and conditions are agreed upon with the Fund.

During the period 1 March 1947, to 31 May 1947, the Fund sold \$25 million in United States dollars to France, and \$6 million in United States dollars and £1.5 million in sterling to the Netherlands. The financial statement of the Fund for the quarter ended 31 August 1947 reveals that between 31 May 1947 and 31 August the Fund sold approximately \$100 million to members against their own currencies.

In announcing the first exchange transactions, the Managing Director indicated the purposes for which the Fund's resources could be used, stating "the resources of the Fund cannot be lent on long term for reconstruction, given away as relief, used in financing a capital flight, or in supporting an untenable exchange rate. In accordance with the Fund Agreement its resources can be used by members only in limited amounts for the purpose of helping a member to meet a temporary disequilibrium in its balance of payments on current account."

The Fund has clarified general procedure and policy with regard to requests by members for purchases of exchange against their own currencies. As set forth in its *Second Annual Report*, the Fund expects, through close and continuous contact with its members, to keep itself informed at all times of developments in each member country. In this way it expects to be in a position to form a judgment as to whether a member's use of the Fund's resources would be in accordance with the purposes of the Fund. Through such contacts a member would become aware of the Fund's views.

GOLD TRANSACTIONS

In accordance with the Fund Agreement, the Fund has taken action directed towards stabilizing the price of monetary gold for all members and towards preventing any significant divergences from par of the external value of member currencies through transactions in gold, by prescribing a margin for sales and purchases of gold by members. This margin has been fixed at one-fourth of one per cent above and below par, exclusive of certain specified charges.

Furthermore, in June 1947, with a view to preventing the extension of external gold transactions at premium prices, which generally involve a loan of gold from monetary reserves and which might contribute to the under-

mining of exchange stability, the Fund requested all its members to co-operate in the elimination of such transactions.

EXCHANGE RESTRICTIONS AND MULTIPLE CURRENCIES

The Fund Agreement provides that, during the transitional period, members may, subject to certain safeguards, maintain and adapt to changing circumstances exchange restrictions on payments and transfers for current international transactions. Most members have availed themselves of these transitional arrangements. Only five countries, El Salvador, Guatemala, Mexico, Panama, and the United States, have already assumed the obligation freely to permit payments and transfers for current transactions.

During this period, the Fund also dealt with multiple currency practices. In June 1947, the Fund announced that the Government of Ecuador had requested the approval of the Fund for an adaptation of its multiple currency practices through the imposition of a surcharge on non-essential imports, the surcharge to be used for retiring government debt. The Fund agreed to the use of this device for a period of two years or under, since it will have the effect, not only of limiting import demands, but also of decreasing the present inflated volume of currency and credit.

Under the Fund Agreement, the Fund is empowered in exceptional circumstances, even during the transitional period, to make representation to any member with a view to the withdrawal of exchange restrictions. The Fund is at present studying exchange restrictions and multiple currency practices now in force. It will consult with members with a view to the mitigation and eventual elimination of practices which are no longer warranted by balance of payment considerations or which have a harmful effect on the balance of payments of other countries.

RELATIONS WITH MEMBER COUNTRIES AND OTHER INTERNATIONAL AGENCIES

The Fund has placed considerable emphasis on perfecting liaison with member countries and other international agencies. It regards its advisory activities with member countries as a principal function and offers permanent machinery for co-operation and consultation among members on monetary problems. Fund representatives have been sent to a number of member countries to discuss problems with their monetary authorities.

The Fund has actively co-operated with various international agencies and has attended meetings and conferences. It has entered into a formal agreement with the United Nations. The Fund has taken an active part in the work of the conferences which drafted the charter for the International Trade Organization, and it is anticipated that a formal arrangement will be worked out between the Fund and the International Trade Organization when the latter is established.

BOARD OF GOVERNORS MEETING IN SEPTEMBER 1947

The second meeting of the Board of Governors was convened in London 11 September 1947, and adjourned on 17 September until September 1948, when the third annual meeting will be convened in Washington, D. C. During the course of the five sessions, the Board of Governors considered the recommendations of the Executive Board regarding the terms and conditions under which Finland shall be admitted to membership in the Fund. The recom-

mended terms were approved and, under the Executive Board resolution adopted by the Board of Governors, Finland will be allowed until 15 March 1948 to accept membership in the Fund.

The Board of Governors also considered the requests of Iran and Egypt for quota increases. In accordance with the Executive Directors' recommendations, the quota of Iran was authorized to be raised from \$25 million to \$35 million and the quota for Egypt from \$45 million to \$60 million, provided that these countries apply for a proportionate change in their subscriptions in the Bank, and provided further that they consent to these changes on or before 31 March 1948.

At this second annual meeting, the Board of Governors adopted a resolution on silver, to supplement the resolution agreed to at the first annual meeting. In the first resolution it was stated that the Fund should gather any information on silver which could be useful in facilitating discussion on the subject in an international conference among interested member countries. The resolution adopted at the second annual meeting states that member countries be urgently requested by the Fund to submit pertinent data relating to silver, in order that the Fund can assemble whatever material is submitted and make it available to all members not later than 1 March 1948.

The terms and conditions of the form of agreement between the United Nations and the Fund, presented at the Governors' meeting by the Executive Board, was approved. A resolution relating to the election of an additional executive director was also passed. It provided that Fund members who are not entitled to appoint directors on 31 December 1947 and whose votes are not entitled to be cast by directors holding office, shall participate in the election, which shall be held at such time after 31 December 1947, as the Executive Directors shall determine.

Throughout the London meeting, as well as afterwards, the normal activities of the Fund, including sales of exchange and consultation with member countries, continued.

THE INTERNATIONAL CIVIL AVIATION ORGANIZATION

The main effort of the International Civil Aviation Organization (ICAO) in the economic field during the period under review has been directed towards the development of a multilateral agreement on commercial rights in international civil air transport, first seriously attempted at the Civil Aviation Conference in Chicago in 1944. In accordance with a directive of the Assembly of ICAO a special Commission was convened in Geneva on 3 November 1947. The Commission proceeded to discuss and develop such an agreement. There was general accord at the outset to the effect that, while an all-embracing multilateral agreement was unlikely to find general acceptance, the aim of the Commission should be to embody the largest measure of agreement in the multilateral agreement and to leave as little as possible to the field of supplementary bilateral "route agreements". The Commission was able to reach a substantial measure of agreement on such important subjects as capacity, rates, prohibited practices, and the settlement of disputes. Thereupon, the Commission returned to the consideration of the nature of the rights to be granted as regards routes under the multilateral agreement and of the relationship of the subsidiary route agreements which were deemed necessary to the main agreement.

In the concluding stages of the Commission's deliberations, a serious divergence of views appeared on the vital question of the nature of rights to be granted under such route agreements. Certain delegations took the position that a route agreement authorizing stops in the territory of States other than the parties thereto must also authorize the taking on and putting down at such stops of all international traffic; others favoured a system under which the granting of "Fifth Freedom"¹ rights at such intermediate stops would remain optional. The latter opinion prevailed by the margin of thirteen votes to nine, with five abstentions.² Since it seemed unlikely that a sufficient number of States would accept a multilateral agreement thus restricted, the Commission decided to abandon its hope of achieving an agreement which could be opened for signature in the near future. It did, however, prepare a final report for submission to contracting States and to the Assembly of ICAO; to this was attached a draft agreement which, it was hoped, might form the basis of future efforts towards a multilateral agreement and might serve as a guide to States in negotiating agreements of a more limited scope.

Among the other subjects in the air transport field which have claimed the attention of the Organization have been international air mail, statistics, filing and publication of contracts and agreements, and facilitation of international air transport.

The secretariat of ICAO is engaged in a comprehensive study of international air mail, tentatively scheduled to be completed in February 1948, when it will be examined by the Air Transport Committee and the Council, before being transmitted to contracting States for comment. It is expected that a final synthesis of the views of the Organization on the subject will be completed by September 1948 for submission to the Universal Postal Union.

In the statistics field, three decisions of interest may be noted. Acting under authority conferred by the Assembly, the Council has decided to make provisional arrangements with the Statistical Office of the United Nations to collect the monthly air transport statistics from contracting States of ICAO that are now being received by the Statistical Office, and to settle provisionally, with the United Nations, a procedure for collecting similar statistical material from non-contracting States of ICAO, whether or not they are Members of the United Nations. These statistics are to be incorporated in the ICAO statistical reporting system and analysis. The Council has also approved the serial publication of summaries of statistical material received by the Organization from contracting States, and a provisional issue of the "ICAO Statistical Summary" is to be circulated to contracting States with a request for their comments. The Provisional International Civil Aviation Organization *Statistical Reporting Forms*, 1947 edition, have been adopted for use by ICAO for the year 1947. The possible revision of these forms will be one of the matters considered by the Statistical Division which is to convene in Montreal on 13 January 1948.

¹ "Fifth Freedom" traffic is traffic moving between two points, neither of which is in the State in which the airline concerned is established.

² *For:* Australia, Brazil, Canada, Colombia, Egypt, Greece, India, Italy, Mexico, New Zealand, Portugal, Turkey, and Venezuela. *Against:* Denmark, France, Ireland, the Netherlands, Norway, Sweden, Switzerland, the United Kingdom and the United States. *Abstained:* Argentina, Belgium, China, Czechoslovakia, and the Union of South Africa.

In the field of facilitation of international air transport with regard to customs, immigration, public health, and similar matters, the efforts of the Organization are at present centred on preparations for the meeting of a division of its Air Transport Committee in western Europe in the spring of 1948 to consider these subjects.

CHRONOLOGY

This chronology includes events of major economic significance, from the surrender of Germany in May 1945 to the close of the United Nations General Assembly in November 1947. Events before May 1945 that pertained to the organization of the United Nations and its organs have also been included.

1943

MAY

- 18 May. *United Nations Conference on Food and Agriculture*, held at Hot Springs, Virginia (United States of America), attended by representatives of forty-four countries; reached agreement to establish an Interim Commission to prepare the creation of Food and Agriculture Organization of the United Nations, to assist governments in achieving a reasonable balance between food production and consumption.

JULY

- 15 July. *Interim Commission of Food and Agriculture Organization* held its first meeting.

SEPTEMBER

- 3 Sept. *Unconditional surrender of Italy*.

OCTOBER

- 30 Oct. *Declaration of Four Nations on General Security (Moscow Declaration)*, issued by the United States of America, the United Kingdom, the USSR and China. The Governments pledged that their united action for prosecution of the war would be continued for the organization and maintenance of the peace; they also recognized the need for establishment, at the earliest practicable date, of a general international organization based on the sovereign equality of all peace-loving States, with membership open to all such States, for the maintenance of international peace and security.

NOVEMBER

- 9 Nov. *Agreement establishing United Nations Relief and Rehabilitation Administration* signed in Washington by forty-four countries. Purpose: to extend relief to the peoples of United Nations, to aid in prevention of pestilence and in the recovery of health, in preparation and arrangements for return of prisoners and exiles to their homes, and to assist in resumption of urgently needed agricultural and industrial production and the restoration of essential services.
- 10 Nov.
to
1 Dec. *First session of UNRRA Council*, held in Atlantic City.

1944

JULY

- 1 July *United Nations Monetary and Financial Conference* at Bretton Woods, New Hampshire (United States of America), attended by representatives of forty-four nations, drew up articles of agreement of an International Monetary Fund to stabilize currencies and thereby promote foreign trade; also of International Bank for Reconstruction and Development, to provide facilities for long-term loans to
- 22 July.

1944. enable countries to stabilize their economies and undertake long-term programmes of rehabilitation or industrialization.

AUGUST

- 21 Aug. *Dumbarton Oaks Conversations on World Organization* held in Washington, first by the USSR, the United Kingdom and the
to
7 Oct. United States of America, and then by China, the United Kingdom and the United States of America; resulted in Dumbarton Oaks Proposals published 9 October, for establishment of a general international organization having a General Assembly, Security Council, International Court of Justice, and a Secretariat.

NOVEMBER-DECEMBER

- 1 Nov. *International Civil Aviation Conference*, held in Chicago by fifty-
to four nations which drew up agreements: (1) providing for establishment of a Provisional International Civil Aviation Organization (PICAO); (2) for the establishment thereafter of a permanent International Civil Aviation Organization (ICAO); (3) International Air Services Transit Agreement; and (4) International Air Transport Agreement.
7 Dec.

1945

FEBRUARY

- 4 Feb. *Crimea (Yalta) Conference*: President Roosevelt, Prime Minister
to Churchill and Marshal Stalin agreed to call a conference of United
11 Feb. Nations at San Francisco on 25 April 1945, to prepare the Charter of the general international organization outlined at Dumbarton Oaks; China and the Provisional Government of France invited to act as joint sponsors.

APRIL

- 25 April *United Nations Conference on International Organization* held at
to San Francisco, attended by representatives of fifty nations.
26 June.

MAY

- 8 May. *V-E Day, unconditional surrender of Germany.*
10 *The United States of America*: Chairman of War Production Board announced immediate revocation of 73 orders prohibiting or limiting manufacture of civilian goods; half of WPB's 420 orders to be removed in next few months.
16 *The United States of America*: War Production Board revoked controls on 1,200 common civilian items.
28 *The United States of America*: Treasury Department announced removal from "enemy territory" category of: Albania, Austria, Czechoslovakia, Danzig, Denmark, the Netherlands, Norway, and Yugoslavia, permitting resumption of commercial communications.

Foreign Economic Administration resumed licensing of commercial exports to the Philippine Commonwealth.

JUNE

- 5 June. *Allied Control Council*: The USSR, the United Kingdom, the United States of America and France held first meeting in Berlin and proclaimed assumption of the government of the Reich, the boundaries of which were immediately returned to the limits of 31 December 1937.
- 6 *Provisional International Civil Aviation Organization*: Interim agreement establishing PICAQ came into force.
- 15 *Sweden-Norway*: Signed three financial pacts: (1) interest-free credit of 50 million kroner to Norway for food purchase and refugee aid; (2) 15 million kroner credit to cover expenses of Norwegian Legation in Stockholm; and (3) agreement on financing of Norwegian building of ships in Swedish shipyards.
- 22 *Czechoslovakia*: Government decreed the confiscation of all farms and corporations belonging to Germans, Hungarians, and "traitors and Nazi collaborationists".
- 23 *France*: Information Ministry announced official demarcation of French occupation zone in Germany.
- 26 *The United Nations*: Charter signed at San Francisco by fifty nations; also interim arrangements agreement, establishing Preparatory Commission of United Nations.
- 27 *The United Nations*: Preparatory Commission held first meeting in San Francisco.
- 28 *Poland*: New Provisional Government of National Unity, including members of the London Government-in-Exile, took office following resignation of former Provisional Government.
- 29 *Czechoslovakia-USSR*: Signed agreement ceding Ruthenia to the USSR.
- 30 *The United States of America*: President Truman signed law extending Office of Price Administration for another year.

JULY

- 5 July. *The United States of America*: President Truman signed bill extending, for three years, Reciprocal Trade Act, under which he was granted authority to reduce tariff rates a further 50 per cent.
- 7 *Switzerland-Spain*: Entered into new commercial treaty.
Poland-USSR: Signed trade agreement.
- 10 *The United States of America*: Treasury Secretary announced that Seventh War Bond drive for \$14,000,000,000 was oversubscribed by \$12,000,000,000.
- 11 *Poland-Sweden*: Signed trade agreement.

- 12 July 1945. *Brazil*: Tightened import controls on machinery, rubber, and chemicals.
- 14 *Italy*: Announced state of war with Japan.
- 17 July to 2 Aug. *Berlin (Potsdam) Conference* of President Truman, Prime Minister Churchill and Marshal Stalin.
- 25 July. *USSR*: Requested UNRRA assistance of \$700 million.
- 26 *The United Kingdom*: Election returns showed that Labour Party won by large majority in 5 July election.

AUGUST

- 2 Aug. *Italy*: Allied Commission in Rome announced that allied control over export trade was withdrawn except in case of the United States of America and USSR.
- 4 *The United States of America*: President Truman signed bill for increase in lending authority of Export-Import Bank of Washington, which was to become a permanent government agency, to \$3,500,000,000.
- Argentina-Sweden*: Trade pact signed for exchange of Swedish manufactures for food from Argentina.
- 5 *The United States of America-Switzerland*: Signed reciprocal air-transport agreement.
- 7 *Italy-Switzerland*: Commercial treaty entered into; Switzerland to advance £4 million in exchange for services and supplies.
- 8 *USSR*: Declared war on Japan.
- The United States of America*: State Department announced agreement among the United States, the United Kingdom, USSR and France, on establishing Allied Commission for Austria, and on dividing Austria and the city of Vienna into four zones.
- 12 *Yugoslavia*: Legislative Committee accepted draft of Agrarian Reform Law. No farmers to have more than thirty-five hectares; absentee landlords to be deprived of all but five hectares without compensation.
- 13 *Mongolian People's Republic*: Declared war on Japan.
- 14 *Japan*: *Communiqué* announced acceptance of Potsdam Declaration and unconditional surrender.
- The United States of America*: War Man-power Commission announced abolition of all man-power controls over employers and employees.
- 16 *USSR-Poland*: Signed treaty defining their common frontiers and granting Poland 15 per cent of German reparations delivered to USSR in return for annual shipments of coal by Poland.
- Denmark-the United Kingdom*: Monetary agreement signed.
- 16 Aug. to 24 Nov. *The United Nations*: Meeting of Executive Committee of the Preparatory Commission, London.
- 17 Aug. *Finland*: Trade with the United Kingdom resumed.

- 19 *USSR*: Disclosed preparation of new five-year plan for 1946 to 1950, to increase Soviet industrial capacity above pre-war level.
- 21 Aug. *The United States of America*: President Truman cancelled outstanding Lend-Lease contracts, notifying Allied Governments that \$2,000,000,000 in goods already contracted for in the United States, as well as \$1,500,000,000 in stockpiles throughout the world, could be obtained through purchase.
- 23 *USSR*: Marshal Stalin announced the occupation of all Manchuria, of South Sakhalin, of Shumshu and Paramushiro in the Kurile Islands.
- 24 *China-USSR*: Ratified treaty of friendship and alliance, and four agreements, three of which implemented the secret agreement of the Crimea Conference, announced 11 February 1946.
- 27 *USSR-Hungary*: Agreement signed on economic co-operation.
- 30 *Germany*: Proclamation of establishment of Allied Control Council.
- SEPTEMBER
- 2 Sept. *Japan*: Signed terms of unconditional surrender on board the U. S. battleship *Missouri*.
- 7 *The United Kingdom-Netherlands*: Signed agreement fixing exchange rate at 10.691 guilders to the pound sterling, for next three years.
- 9 *France-Ethiopia*: Signed agreement settling differences over border between Ethiopia and French Somaliland and the jointly-owned railroad from Djibouti to Addis Ababa.
- 11 *Austria*: First meeting of Allied Council.
Council of Foreign Ministers: Meeting opened in London.
- 12 *USSR*: Announced modifications of terms to Roumania: Soviet Union to return some shipping; return control of railway; lend Roumania 150,000 tons of grain; and reduce Roumanian armistice indebtedness.
- 15 *Spain-France*: Trade agreement signed.
- 20 *Poland-USSR*: Treaty of friendship, mutual assistance and post-war collaboration ratified.
- 24 *The United States of America-the United Kingdom*: Agreement signed in London to establish Anglo-American Petroleum Commission, to further the efficient and orderly division of international petroleum trade.
The United Kingdom: Cancelled more than 50 per cent of contracts for Lend-Lease goods outstanding on V-J Day.
- 25 *Germany*: Allied Commanders-in-Chief of occupying forces issued proclamation stating that Allies would regulate all matters affecting Germany's relations with other countries; assume control of gold and foreign currencies within country; control all merchant shipping, shipbuilding, and repair, as well as inland transport.
- 25 Sept.
to
8 Oct. *World Trade Union Conference*: Met in Paris.

1945.

- 26 Sept. *Netherlands-the United States of America*: Air agreement.
- 27 *Tangier*: First meeting of International Control Commission and statement of Belgium, France, Netherlands, Portugal, Spain, the United Kingdom and the United States of America, on re-establishment of Tangier as an international zone.
- European Central Inland Transport Organization*: An agreement for joint control and allocation of all civil transport in continental Europe and establishment of an organization (ECITO) to work out uniform tariffs and rates for international traffic was signed in London by Belgium, Czechoslovakia, France, Greece, Netherlands, Norway, Luxembourg, USSR, the United Kingdom, the United States of America, and Yugoslavia; pact to be effective for two years.
- The United States of America*: Foreign Economic Administration abolished and functions to be distributed to other federal agencies not later than 31 December.
- 29 *Argentina*: Termination as of 21 February 1946 of trade agreement with the United Kingdom, originally concluded 1 December 1936.
- China, USSR, the United Kingdom, the United States of America*: Agreed to establish Far Eastern Commission to formulate policies for executing Japan's surrender.

OCTOBER

- 2 Oct. *Council of Foreign Ministers*: Terminated session after disagreement as to countries to participate in discussions on treaty matters.
- 3 *World Federation of Trade Unions*: Inaugurated at World Trade Union Conference in Paris.
- 6 *Canada*: War-time financial aid to the United Kingdom to 2 September 1945 announced as \$4,600 million; in addition, \$200 million in war plants in Canada and \$800 million in securities have been bought from the United Kingdom to provide the United Kingdom with Canadian dollars.
- 9 *Japan*: Government deposited at Allied Headquarters \$250 million worth of gold, silver, and platinum.
- 13 *Indonesia*: People's Army declared war on Dutch-Eurasian and Amboinese.
- 15 Oct.-
5 Nov. *International Labour Conference*: Met in Paris.
- 16 Oct. *United Nations Food and Agriculture Organization*: First session of conference at Quebec. Constitution signed by twenty-nine nations at opening of conference.
- to
1 Nov.
- 17 Oct. *The United States of America*: Export-Import Bank granted \$50 million loan to Netherlands, for purchase of farm and manufactured products in the United States.
- Argentina*: Colonel Juan Perón established new government.
- The United States of America-USSR*: Credit contract with the

- United States Foreign Economic Administrator for \$350 million to \$400 million of Lend-Lease goods, delivery of which was halted on V-J Day.
- 18 Oct. *Czechoslovakia*: Government decreed nationalization of mines, natural resources, pig-iron and steel enterprises, large food and agricultural undertakings, and banking and insurance.
Sweden: Government forbade export of uranium and its extraction without government licence.
- 19 *France*: Arrangement made for transfer of 750,000 German prisoners to work in France, provided they were fed in conformity with Geneva Convention.
- 20 *Austria*: Provisional Government recognized by four Allied occupation powers.
Belgium-the United States of America: The United States announced agreement on compensation to Belgium for \$90 million in excess of reverse Lend-Lease supplied by Belgium to the United States forces.
- 24 *The United Nations*: Charter came into force with the signing of protocol by the United States Secretary of State, after deposit of ratifications of five permanent members of the Security Council and a majority of other signatories.
- 26 *Belgium-Canada*: Loan agreement entered into by which Belgium received \$25 million to purchase Canadian goods.
Finland-USSR: Frontier fixed by delegation from USSR, Finland and Norway at Helsinki.
- 27 *Belgium*: Premier announced Bank of Belgium to be nationalized.
- 30 *Japan*: Far Eastern Advisory Commission met in Washington. Countries represented: The United States of America, the United Kingdom, France, China, Australia, New Zealand, Canada, Netherlands, Philippines, and India.
- 31 *International Labour Organisation*: Conference of 15 October voted to exclude Argentina on grounds that trade union freedom had been suppressed in Argentina.

NOVEMBER

- 1 Nov. *United Nations Conference for the Establishment of an Educational, Scientific and Cultural Organization*: Held in London; attended by representatives of forty-four countries; Constitution adopted.
- 16 Nov.
- 1 *The United Kingdom*: Government announced plans to nationalize civil aviation and communications.
The United Kingdom-Czechoslovakia: Trade and monetary pact entered into.
- 6 *Italy*: Terms of Italian Armistice (1943) published in London.
- 9 *Reparations Conference*: Began in Paris with seventeen countries: Australia, Belgium, Canada, Denmark, Egypt, France, Greece, India, Luxembourg, New Zealand, Netherlands, Norway, Czecho-

1945. slovakia, Union of South Africa, the United Kingdom, the United States of America, and Yugoslavia.
- 15 Nov. *International Labour Organisation*: Maritime Technical Conference convened in Copenhagen.
The United States of America: Statement on atomic energy issued at conclusion of talks in Washington among President Truman, Prime Minister Attlee, and Prime Minister King of Canada.
- 16 *Argentina*: Buenos Aires reported 201,000 tons of oil *en route* from the United States, as result of recent lifting of ban on oil exports to that country. Ban lifted to ensure Argentine wheat shipments to Europe.
- 19 *The United Kingdom*: Government's five-year programme of nationalization announced in Parliament.
- 20 *World Power Conference*: International Executive Council convened in London.
International Whaling Conference: Opened in London.
Germany: Allied Control Council approved plan for transfer into Germany of 6,650,000 Germans from Austria, Czechoslovakia, Hungary, and Poland.
- 23 *Poland-USSR*: Agreement signed on direct railway traffic.
- 24 Nov. to 22 Dec. *The United Nations*: Preparatory Commission of United Nations met in London.
- 24 Nov. *The United States of America*: Rationing of meat and fats ended, leaving sugar only food on list.
- 29 *Yugoslavia*: Constituent Assembly proclaimed Federal People's Republic of Yugoslavia and abolished monarchy.

DECEMBER

- 2 Dec. *France*: Constituent Assembly voted nationalization of five banks.
- 4 *The United States of America*: Export-Import Bank made \$550 million loan to France.
- 6 *The United Kingdom-the United States of America*: Loan agreements announced, under which the United Kingdom is to receive credit of \$3,750 million.
The United States of America: Proposals for consideration by an International Conference on Trade and Employment made public by Secretary of State.
- 7 *The United States of America*: Export-Import Bank announced loan of \$20 million to Mexico.
- 10 *Italy*: Government formed, headed by de Gasperi.
- 16 Dec. to 26 Dec. *Moscow Conference*: Foreign Ministers of the United Kingdom, USSR, and the United States of America held session in Moscow.
- 16 *The United Kingdom*: House of Commons passed bill nationalizing Bank of England.

- 18 Dec. *Hungary*: Government assumed control of mines.
- 20 *The United States of America*: Export-Import Bank announced two loans, totalling \$100 million, to Belgium.
- 21 *Germany*: Inter-Allied Reparations Agency announced schedules of payments under Category A, German assets abroad, and under Category B, internal assets.
- The United Nations*: Preparatory Commission adjourned after drawing up report including provisional rules of procedure, provisional agenda, recommendations on committee structure, budget and working capital fund, to be submitted to first part of General Assembly.
- The United States of America*: President Truman issued an order for entry into the United States, within established immigration quotas, of European war refugees at rate of 39,000 yearly.
- 24 *Moscow Conference of Foreign Ministers (the United Kingdom, USSR, and the United States of America)* announced agreements for drawing up peace treaties with Axis powers, requesting adherence of France and China.
- Hungary*: Government issued decrees expelling all German-speaking residents, estimated at 500,000, in addition to 250,000 to 300,000 already ordered to leave.
- 25 *France*: Finance Ministry devalued franc to rate of 119.107 to United States dollar and 480 to pound sterling.
- 27 *International Monetary Fund, and International Bank for Reconstruction and Development*: Bretton Woods Agreement establishing International Monetary Fund and International Bank for Reconstruction and Development came into force, being signed by twenty-eight governments representing 80 per cent of total shares of the Bank and twenty-nine governments representing about 80 per cent of total quotas of the Fund.
- Conference of Foreign Ministers* in Moscow announced agreement on the creation of a Far Eastern Commission and an Allied Council for Japan, and agreements for ultimate re-establishment of a free Korea, withdrawal of USSR and United States troops from China, and recommendations to United Nations General Assembly for creation of a United Nations Commission for the Control of Atomic Energy.
- 29 *France-the United States of America*: Civil air agreement.
- France-USSR*: Trade agreement signed.

1946

JANUARY

- 1 Jan. *The United Kingdom-Siam*: Peace treaty signed.
- France*: Assembly passed budget as follows: expenditure 470,000 million francs, revenue 289,472 million francs; ordinary expenditures, 271,274 million, reconstruction 41,760 million, and defence 158,000 million francs.

- 3 Jan. 1946. *France-USSR*: Five-year agreement for resumption of trade on most-favoured-nation basis.
Czechoslovakia-United States: Civil air agreement.
Poland: National Council nationalized communications, banks, mines, factories, and public utilities.
The United States of America: Export-Import Bank granted \$25 million credit to Saudi Arabia.
- 4 *European Coal Organization*: Agreement signed in London formally establishing the organization, provisionally set up in May 1945, to promote supply and distribution of coal and mining supplies. Signatory governments were Belgium, Denmark, France, Greece, Luxembourg, Netherlands, Norway, Turkey, the United Kingdom, and the United States of America.
- 5 *France*: Announced sequestration of the Saar coal mines, 3 January.
- 10 Jan. to 14 Feb. *The United Nations*: First General Assembly held first part of first session in London.
- 10 Jan. *Italy*: Treaty with Spain signed in Rome by which, *inter alia*, partial liquidation of debts incurred by Spain during the civil war, estimated at 5,000 million lire, was arranged.
- 11 *Albania*: Constituent Assembly proclaimed a People's Republic.
Germany: Allied Control Council fixed steel production in Germany at 5.8 million tons a year, with capacity ceiling of 7.5 million tons a year.
The United States of America: Export-Import Bank granted \$25 million loan to Greece to control inflation, maintain order.
- 12 *The United Nations*: Security Council: Six non-permanent members elected by General Assembly were: Australia, Brazil, and Poland for two years; and Netherlands, Egypt, and Mexico for one year.
- 13 *The United Nations*: General Assembly completed the initial election of eighteen members to the Economic and Social Council: Belgium, Canada, Chile, China, Colombia, Cuba, Czechoslovakia, France, Greece, India, Lebanon, New Zealand, Norway, Peru, Ukrainian SSR, USSR, the United Kingdom, and the United States of America.
Reparations Conference: Document ratifying the decisions of the conference was signed in Paris by representatives of Belgium, France, the United Kingdom, the Netherlands, Luxembourg, and Yugoslavia.
- 16 *The United States of America*: Export-Import Bank granted Finland \$35 million credit.
- 17 *The United States of America*: Export-Import bank approved \$33 million grant to help China finance import of 300,000 bales of raw cotton from the United States.
- 18 *Yugoslavia-Poland*: Signed trade agreement.

- 20 Jan. *The United States of America:* 750,000 steel workers went on strike.
- 22 *The United States of America:* Export-Import Bank announced new credit of \$780,000 to Ecuador for reconstruction of links in Pan-American Highway.
- 23 Jan. *The United Nations:* Economic and Social Council, first meeting to
- 18 Feb. in London.
- 24 Jan. *The United Nations:* General Assembly unanimously established Atomic Energy Commission.
- The United Kingdom-Greece:* Signed agreement giving Greece £10 million loan to stabilize drachma, and £500,000 for direct assistance.
- 26 *Italy:* Devalued the lira for purposes of trade abroad, making the pound sterling worth 900 lire, and the United States dollar 225 lire. This represented the addition of a premium of 125 per cent to the official rates of 400 to the pound sterling and 100 to the United States dollar.
- 30 *The United Kingdom:* House of Commons approved the coal nationalization bill.

FEBRUARY

- 1 Feb. *Hungary:* National Assembly passed bill making Hungary a republic.
- The United States of America:* Transferred \$500,000 airfield at Salinas to Ecuador.
- The United Nations:* Trygve Lie of Norway unanimously elected Secretary-General of the United Nations.
- 4 *France-Finland:* Signed one-year commercial accord.
- 6 *The United Nations:* General Assembly and Security Council elected fourteen judges for the International Court of Justice.
- 9 *USSR:* Marshal Stalin announced new five-year plan calling for sharp production increases.
- Canada:* Announced credit of \$60 million for China's purchase of Canadian goods in 1946 and 1947.
- France-Italy:* Signed trade agreement for exchange of 7,000 million lire worth of goods, in Rome.
- 11 *The United Kingdom-the United States of America:* Published terms of secret agreement made by President Roosevelt, Marshal Stalin, and Prime Minister Churchill, at Yalta on 11 February 1945.
- The United Kingdom:* House of Commons voted for social security bill.
- The United Kingdom-the United States of America:* Air treaty signed in Burma.
- 12 *Canada:* Announced loan to the Netherlands Government of \$100

1946. million, in addition to \$25 million loaned the Netherlands 25 May 1945.
- 14 Feb. *The United Nations*: General Assembly approved New York as interim United Nations Headquarters. General Assembly voted unanimously adoption of resolution on steps to meet world-wide food shortage.
- 15 *The United Nations*: General Assembly adjourned until 15 September 1946.
- 17 *Mexico-the United Kingdom*: Signed agreement in Mexico City providing for appointment of experts to value certain petroleum industrial properties, to determine compensation to be paid British owners affected by expropriation acts of Mexican Government. *Mexico-Netherlands*: Signed parallel agreement to above.
- 20 *The United States of America*: Export-Import Bank granted China \$32 million credit for purchase of cargo vessels and electrical equipment.
- 26 *The United States of America*: Granted Greece loan of \$10 million, repayable over 30 years, for purchase of United States Army surplus.
- 27 *USSR-Mongolian People's Republic*: Treaty of friendship and mutual assistance, and agreement on economic collaboration, signed.
- 28 *France-China*: Signed treaty ending French extra-territorial rights in Peiping, Amoy, Shanghai, Tientsin, Hankow, and Canton. *France-the United Kingdom*: Signed civil aviation agreement. *France*: Foreign Ministry announced the United Kingdom's declination of renewal of financial agreement just expired, which had opened reciprocal 12-months' credits of £100 million for French purchases in the United Kingdom, and 20,000 million francs for British purchases in France. *India*: Finance Minister introduced budget to Indian Central Assembly announcing estimated expenditure for 1945-1946 of Rs 505.61 crores (Rs 1.5 crores equal £1 million), and revenue of Rs 360.66 crores. Defence expenditures would be Rs 296.66 crores. Total revenue was estimated at Rs 307 crores and "revenue expenditure" at Rs 355.71 crores, leaving a revenue deficit of Rs 48.71 crores. *Union of South Africa*: Finance Minister presented budget in Parliament, showing total expenditure for 1946 of £131 million, and receipts of over £134 million. Taxation was substantially reduced, although income taxes remained unchanged.

MARCH

- 1 Mar. *The United States of America*: Secretary of Treasury disclosed that in August the Soviet Union had asked for a loan of \$1,000,000,000 and that a delegation had been invited to Washington to discuss it.
- 6 *Norway-Switzerland*: Trade treaty granting Norway credit of 5 million francs for purchase of reconstruction materials.

- 7 Mar. *Canada-the United Kingdom*: Conclusion of agreement by which Canada would provide the United Kingdom with credit of \$1,250 million.
- 9 Mar. *International Monetary Conference*: Boards of Governors of International Monetary Fund and of International Bank for Reconstruction and Development held inaugural meetings at Savannah, Georgia (United States of America). Representatives of thirty-four member nations convened: eight nations, including the USSR, sent observers.
- 18 Mar. *USSR-Hungary*: Civil aviation pact signed.
- 10 *Argentina-the United Kingdom*: Trade agreement extended six months.
- 11 *The United Kingdom-Switzerland*: Monetary agreement signed, fixing rate of exchange at 17.35 francs to the pound sterling, and lifting ban on travel to Switzerland.
- 12 *India*: Notified Union of South Africa of termination of commercial agreement, in reprisal for rejection of proposals for South African legislation affecting Indians in South Africa.
- 14 *France*: Assembly voted unanimously to promote colonies of Martinique, Guadeloupe, Réunion, and French Guiana to status of departments of mother country.
- 18 *Poland-Yugoslavia*: Treaty of friendship and mutual assistance signed.
- 20 *The United States of America*: Export-Import Bank announced \$200 million loan to Netherlands.
- 21 *The United Nations*: Moved into temporary headquarters at Hunter College, New York.
- 22 *Britain-Transjordan*: Signed treaty ending British mandate.
- 25 *Argentina*: Nationalization of Central Bank decreed.
- 26 *Germany*: Allied Control Council reached agreement on future level of German industry. Expected effect is general reduction of industry level to 55 per cent of 1938 level.
- 27 *Provisional International Civil Aviation Organization*: Ended twenty-three-day conference in Dublin on North Atlantic air routes.
- 29 *The United States of America-France*: Signed air transport pact.
- 29 *USSR-Hungary*: Agreement for joint steamship and civil aviation companies signed.
- France*: Assembly nationalized gas and electric industries.
- Turkey-Iraq*: Signed agreement for collaboration in cultural, economic, and security matters.
- 30 *The United States of America*: Granted Austria \$10 million credit for purchase of war surplus goods.

APRIL

- 1 April. *Iraq-Yemen*: Signed trade and extradition agreements.
- The United States of America*: Export-Import Bank granted loan of \$25 million to Italy for purchase of raw cotton.

- 1 Apr. '46
to
16 April. *International Labour Organisation*: Third Conference of American countries, at Mexico City.
- 5 *Turkey-Iran*: Signed agreement for cultural, economic, and security collaboration.
Japan: First meeting of Allied Council for Japan, held in Tokyo.
Iran-USSR: Iranian Premier and Soviet Ambassador announced agreement in Teheran on dispute: (1) USSR troops to evacuate all Iranian territory by 6 May; (2) joint Iranian-USSR oil company to be established, terms to be submitted to new Parliament within seven months after 24 March; and (3) Iranian Government to deal with necessity for reforms under existing laws affecting people of Azerbaijan as an internal problem.
- 6 *France-USSR*: Agreement signed for delivery of 500,000 tons of grain by USSR to France.
- 7 *Hungary*: Agreed to pay \$300 million in cash, materials, and labour, in reparation agreement published in Prague; USSR to receive \$200 million; Yugoslavia, \$70 million; and Czechoslovakia, \$30 million.
- 8 April
to
18 April. *League of Nations*: Twenty-first, and final, Assembly held in Geneva.
- 9 *Canada*: Extended \$242.5 million credit to France.
Iraq-the United Kingdom: Agreement, under which Iraq would receive up to \$14 million from the United Kingdom in exchange for sterling, renewed for one year.
The United Kingdom: Chancellor of Exchequer introduced British budget for 1946 to 1947, calling for expenditure of £3,837 million against total estimated revenue of £3,193 million. Main expenditures: defence £1,667 million, civil departments £1,652 million, Consolidated Fund services £518 million. The debt charge would amount to £490 million. Deficit in balance of payments estimated at £750 million.
- 11 *The United States of America*: Commerce Department removed export restrictions on trade with Argentina.
Poland-USSR: Trade agreement signed.
- 15 *USSR-Roumania*: USSR extended payment of reparations from Roumania from six to eight years.
- 18 *League of Nations*: Final dissolution of League, created 10 January 1920. Final session attended by delegates of thirty-four nations; turned over to the United Nations its \$11.7 million worth of property; approved continuation of mandates until the United Nations Trusteeship Council could take over; terminated the Permanent Court of International Justice.
International Court of Justice: Inaugural sitting at The Hague.
- 19 *The United States of America*: Secretary of Agriculture announced that, effective 22 April, Government would require millers to re-

duce flour production for domestic use by 25 per cent and would limit their inventories. Food manufacturers would be required to reduce wheat consumption 25 per cent. Announced bonus of 30 cents a bushel on wheat delivered to Government by 25 May and on 50 million bushels of corn. Also announced that Government would buy unlimited amount of oatmeal for export.

USSR: Extended payment of reparations from Hungary from six to eight years.

23 April. *USSR:* Treaty of friendship and mutual assistance between USSR and Mongolian People's Republic ratified.

24 *Combined Food Board:* Raised UNRRA's grain allotment from 363,000 tons to 460,000 tons; the United Kingdom agreed to divert 200,000 tons during April and early May, of which 60,000 tons were allotted to UNRRA, 10,000 tons to India, 60,000 tons to British zone in Germany, 10,000 tons to South Africa, and 10,000 tons elsewhere; the United States and Canada to replace the 200,000 tons in Britain later.

The United States of America-Poland: Poland received \$40 million credit through Export-Import Bank for purchase of railroad equipment, on condition that Poland hold "free and unfettered" elections, in accordance with commitments made at Yalta and Potsdam conferences. Poland also obtained additional \$50 million credit to buy United States surplus property abroad.

Provisional International Civil Aviation Organization: European-Mediterranean regional air navigation meeting began in Paris.

France: Constituent Assembly voted nationalization of larger insurance companies.

25 *Finland-USSR:* USSR agreed to excuse Finland from further deliveries of goods as reparations and promised shipments of fertilizers and 100,000 tons of grain to Finland. Finland agreed to lease to USSR the power station to supply the Petsamo nickel mines.

Canada-France: Canada granted loan to France of \$240 million, for purchases in Canada.

The United States of America: Export-Import Bank granted Netherlands an additional \$200 million loan.

25 April to 16 May. *Conference of Foreign Ministers* (of France, the United Kingdom, the United States of America and USSR): began discussions in Paris on peace treaties for Bulgaria, Finland, Hungary, Italy, and Roumania.

26 April. *France:* Constituent Assembly closed last session after passing coal mines bill bringing entire industry under national controls.

Colombia, Ecuador, Venezuela: At Caracas Conference, agreed on initial investment of \$20 million in a joint merchant marine.

The United States of America: Released blocked accounts of Czechoslovakia and Luxembourg.

27 *USSR-Bulgaria:* Trade agreement for 1946 signed.

- 29 April. *The United Kingdom-France*: Financial agreement signed in London, prolonging existing mechanism of payments between franc and sterling areas until 31 December 1946. Balance outstanding (£11 million) of credit granted to France by agreement of 27 March 1945 to be repaid in agreed instalments over three years.
1946. *Conference of Foreign Ministers*: United States Secretary of State Byrnes proposed that twenty-five-year, four-power treaty to keep Germany disarmed be placed on agenda.
- 30 *Palestine*: Anglo-American Committee of Inquiry on Palestine issued report which urged immediate admission of 100,000 European Jews into Palestine; admission by other nations; continuation of British mandate, pending establishment of a trusteeship under the United Nations; ultimate establishment of Palestine as neither an Arab nor a Jewish state, but a state guarding rights of Moslems, Christians, and Jews alike.
- The United States of America*: Established \$520 million fund for rehabilitation of the Philippine Commonwealth.
- USSR-Finland*: Signed trade agreement.

MAY

- 1 May. *The United States of America*: Bureau of Labor Statistics reported that 1,660,000 strikers caused record loss of 54,700,000 man-days in first quarter of year.
- 2 *Combined Food Board*: Reported only 581,000 tons of rice available to meet requirements of 2,100,000 tons.
- United Nations Relief and Rehabilitation Administration*: Director General diverted seven ships at sea, to Trieste, to unload 46,000 tons of food for Austria; announced that Latin American countries had pledged an additional \$22 million in cash or food.
- 3 *Siam-the United Kingdom*: Agreed on British purchases of 1.2 million tons of rice for delivery during next twelve months. Siam was released from obligation to supply up to 1.5 million tons free of charge.
- The United States of America*: State Department announced \$10 million loan to Austria, and similar loan to Hungary for purchase of United States surplus property overseas.
- 4 *USSR*: Government launched 20,000,000,000 ruble (\$3,774 million) non-interest bearing loan for rehabilitation and development, for term of 20 years. Lottery prizes to replace interest.
- USSR-Finland*: Trade treaty announced; principal stipulations: 6,500 prefabricated houses to be provided by Finland and 100,000 tons of grain by the USSR.
- 5 *Argentina*: Notified UNRRA that it would ship 500,000 tons of wheat and corn to Europe before June.
- 6 *The United Kingdom*: House of Commons nationalized civil aviation.
- 7 *Combined Food Board*: In Washington, allotted UNRRA 491,000 tons of grain for May as against request for 700,000 tons.

- 8 May. *The United States of America* agreed to settle Turkey's \$90 million Lend-Lease account for \$4.5 million.
9. *Czechoslovakia-Yugoslavia*: Treaty of friendship, mutual assistance, and post-war collaboration announced.
- 10 *The United States of America*: Suspended deliveries, under the \$50 million surplus property credit extended to Poland, because of doubt regarding Poland's fulfilment of obligations in connexion with elections.
- 14 *The United States of America-India*: Cancelled all Lend-Lease obligations after agreeing there was an unpaid remainder (of over \$400 million on each side) in the aid exchanged.
- 16 *Conference of Foreign Ministers*: Adjourned in Paris.
The United Kingdom-France: Concluded negotiations for the United Kingdom importation of £4 million of wines and spirits in 1946.
Netherlands-the United Kingdom: Agreement on shipment of 40,000 tons of Dutch vegetables to British zone of Germany.
- 17 *Denmark-the United Kingdom*: Agreed on export price of bacon and of eggs for three years.
The United Nations: Temporary Transport and Communications Commission recommended the calling of a world conference on passports and frontier formalities, another on telecommunications, and an investigation of Europe's inland waterways.
The United Nations: Nuclear Economic and Employment Commission urged creation of a sub-commission to help speed reconstruction of devastated areas.
The United States of America-the United Kingdom: Agreed to export 10 million tons of cereals to famine-stricken nations between May and September, against requirements of 11.4 million tons; the United Kingdom reduced its wheat demands by 200,000 tons in return for United States agreement to standardize rations in the United Kingdom and United States zones of Germany.
- 17 *The United Kingdom-Argentina*: Signed commercial air agreement.
- 18 *USSR*: Moscow pledged over 1.1 million tons of grain to France, Finland, Poland, and Roumania.
Yugoslavia-Hungary: Concluded agreement under which the latter would pay \$70 million in reparations, to include deliveries of railway equipment and steamships, and construction of industrial plants.
- 20 *The United Kingdom*: House of Commons passed coal-industry nationalization bill on its third reading.
Mexico: Purchased British-owned Mexican Railway Company for \$9.5 million.
- 20 May *Food and Agriculture Organization*: Conference on urgent food problems in Washington decided on establishment of an International Emergency Food Council to replace the Combined Food Board.
- 27 May.

- 21 May 1946. *The United Kingdom*: House of Commons, on second reading, approved nationalization of Cable & Wireless Ltd.
Switzerland: Made informal agreement with eighteen Allied nations for surrender of 50 per cent of German capital in Switzerland, and of \$58,140,000 of looted gold shipped in by Germany.
- 21 May to 7 June. *Provisional International Civil Aviation Organization*: Met in Montreal; thirty-six nations represented.
- 23 May. *The United States of America*: President Truman signed bill continuing government control of exports until July 1947.
- 25 May to 21 June. *The United Nations*: Second session of Economic and Social Council, New York.
- 26 May. *Germany*: United States zone authorities announced reparation deliveries had been stopped, except for factories already allocated, with no further dismantling until Potsdam Agreement terms, on administration of Germany as an economic entity, with export-import programme to provide credits for needed food imports and raw materials and free inter-zonal trade, had been met.
27. *Iceland-USSR*: First trade agreement.
28. *France-the United States of America*: Concluded Lend-Lease settlement, and arranged two loans to France totalling \$1,370 million.
Poland-USSR: USSR cancelled Poland's obligations, incurred by war-time supplies to Polish Army; agreed to supply Polish Army until a national armament industry was established; expressed readiness to assist with credits from USSR gold reserves and to increase stocks of scarce supplies.
29. *The United States of America*: End of 59-day strike in soft coal mines, which cost estimated 90 million tons of coal and 18 million tons of steel.

JUNE

- 5 June. *The United States of America*: State Department announced grant of \$50 million credit to Czechoslovakia for purchase of United States war surplus goods.
6. *International Labour Organisation*: Twenty-eighth (maritime) session of International Labour Conference in Seattle, Washington (United States of America), attended by representatives of thirty-two nations.
7. *Provisional International Civil Aviation Organization*: Assembly in Montreal ended, after establishing procedures for future pacts on air rights and legal standards; voted Montreal as headquarters; and admitted Ireland.
8. *USSR-Yugoslavia*: Signed pact under which USSR will help to rebuild Yugoslav war industries and equip Yugoslav army.
The United States of America-Australia: Settled Lend-Lease account.

- 13 June. *Afghanistan-USSR*: Signed pact; Afghanistan obtained water rights on Kushka River, in exchange gave up claims to the Kushka district in Turkmen Soviet Socialist Republic.
- 14 *The United Nations*: Atomic Energy Commission (twelve members), met for first time in New York.
The United States of America: President Truman announced to Congress that Lend-Lease aid from 11 March 1941 to 31 December 1945, inclusive, totalled \$49,096 million. Reverse Lend-Lease to 2 September 1945 totalled \$7,345,747,000.
Germany: State Economic Ministers of the United States and USSR zones agreed on quarterly exchange of \$10 million worth of products.
- 15 *Conference of Foreign Ministers* (of France, the United Kingdom, the United States of America and USSR): Reconvened in Paris to continue peace treaty discussions.
- 19 *The United States of America*: State Department announced return to Hungary of \$32 million in gold plundered by Germany.
- 19 June to 22 July. *The United Nations*: International Health Conference convened in New York; set up Interim Commission for World Health Organization.
- 20 June. *International Emergency Food Council*: Met in Washington as Combined Food Board is terminated.
- 21 *The United Nations*: Economic and Social Council adopted draft constitution for an International Refugee Organization; decided terms of reference and membership of permanent commissions; and established temporary Sub-Commission on Economic Reconstruction of Devastated Areas.
- 24 *Poland-the United Kingdom*: Signed financial agreement settling war indebtedness.
- 25 *Argentina*: Announced the United States of America would release blocked funds of \$700 million.
Italy: First meeting of Constituent Assembly.
- 27 *The United States of America*: State Department held up \$40 million Export-Import Bank credit to Poland but restored to Poland the \$50 million credit for surplus property purchase.
- 28 *The United Kingdom*: Government announced Anglo-Polish financial agreement of 24 June would not be ratified until Polish Government fulfilled its pledges to Allies at Berlin Conference.
- 29 *International Labour Organisation*: Maritime conference adopted international convention for \$64 monthly minimum wage for seamen; adopted pact raising food standards for seamen.
The United States of America: President Truman vetoed bill for continuance of a modified Office of Price Administration.
- 30 *Mexico*: Supreme Court ruled that no United States company could sue directly for reimbursement of expropriated oil properties.

JULY

- 2 July '46. *Albania-Yugoslavia*: Signed treaty of friendship and collaboration.
- 3 *Philippine Commonwealth*: Congress approved bill extending free trade privileges with the United States after independence.
- 4 *Philippine Republic*: Proclaimed after forty-eight years of United States sovereignty.
- 5 *The United States of America*: Agreed to release \$6 million of frozen Argentine funds.
Canada: Raised Canadian dollar from 90 cents to parity with United States dollar because of latter's abandonment of price control.
- 6 *Austria-USSR*: Commander in Austria ordered industrial property valued at £5.5 million in eastern Austria confiscated as reparations to USSR.
- 8 *USSR-Denmark*: Signed agreement for reciprocal deliveries of merchandise.
- 10 *The United States of America-New Zealand*: Lend-Lease account settled.
- 12 *The United States of America*: Secretary of Agriculture announced United States relief food shipment for year ending 30 June 1946; United States exported 16.5 million long tons, exceeding grain commitments by 17 million bushels.
Conference of Foreign Ministers: Conference ended after drawing up draft treaties for Italy, Roumania, Bulgaria, Hungary, and Finland, but without settlement of German or Austrian peace treaty problems.
- 14 *India*: Granted Siam twenty-year \$13 million credit to accelerate shipments of Siamese rice.
The United States of America: Export-Import Bank granted Ethiopia \$3 million loan.
- 15 *The United States of America*: President Truman signed bill making effective loan to the United Kingdom of \$3,750 million, to be drawn upon between current date and 31 December 1951.
Panama: Authorized \$1.5 million agricultural loan to small farmers.
- 16 *The United States of America*: Agricultural Department announced that its goal of 6 million tons of oversea grain shipments for first six months of year was met.
Cuba-the United States of America: Signed contract for sale of Cuban 1946-1947 sugar crops.
- 17 *The United States of America*: Secretary of the Treasury announced the United Kingdom had made a first withdrawal of \$300 million from loan.
Czechoslovakia-Yugoslavia: Czechoslovak Parliament ratified treaty of friendship and mutual assistance.
- 19 *Sweden*: Agreement signed with the United Kingdom and the

United States of America, under which Allies were to receive three-quarters of Swedish-held German assets, valued at £25 million. In addition, Sweden would contribute £3.5 million to the inter-government Committee on Refugees and restore 7 tons of gold looted by Germans. The United States released £50 million in frozen Swedish funds.

- 19 July
to
23 July.
20 *World Health Organization*: Interim Commission, first session in New York.
The United States of America: Granted Netherlands East Indies \$100 million credit for purchase of surplus property.
Germany: Military Governor of the United States zone proposed agreement for unified economic policy with zones which desired it.
- 21 *The United Kingdom*: Bread and flour rationing introduced.
- 22 *The United States of America-Czechoslovakia*: Export-Import Bank granted \$20 million credit to Czechoslovakia for cotton purchases.
- 23 *The United States of America*: State Department sent note to Moscow stating that the USSR was stripping Hungary of food and industrial materials and was failing to observe Yalta agreement; proposed a three-power commission to work out rehabilitation of Hungary.
- 25 *Canada-the United Kingdom*: Agreed on sale of 600 million bushels of Canadian wheat to the United Kingdom during next four years.
The United States of America: President signed Office of Price Administration bill, re-establishing modified control until 30 June 1947, depriving OPA of much of its power.
- 26 *Austria*: Parliament approved nationalization of many industries, including those USSR claimed under Potsdam Agreement.
Czechoslovakia: Prime Minister, on return from Moscow, announced USSR recognition of Czechoslovak claims against Hungary and for properties in USSR zone formerly belonging to Czechoslovak citizens or corporations; new long-term loan to help rebuild Czech Army; commercial and aviation agreements.
- 27 *USSR*: Replied to the United States note regarding Hungarian reparations, reported total balance of goods sent by Hungary did not exceed \$3.7 million, or industrial equipment more than \$11 million; rejected United States proposal of three-power commission, viewing rehabilitation plan as internal Hungarian concern.
France: Government decided to grant general wage increase averaging 18 per cent, some of the lower categories being raised 30 per cent; applicable to over 12 million factory and office workers.
- 29 July
to
15 Oct.
29 July *Peace Conference*: Representatives of twenty-one nations meet in Paris.
The United States of America: Senate completed Congressional approval of \$75 million loan to Philippine Republic.

29 July '46.

to *The United Nations:* Temporary Sub-Commission on Reconstruction of Devastated Areas met in London.

13 Sept. *The United States of America:* State Department reported to Congress that sales of oversea surplus have passed the \$1,000,000,000 mark; cost of goods, \$3,612,177,000.

30 July. *Germany:* Twelve-nation conference in London, on disposition of German patents registered in various countries, agreed to pool them among nations signatory to agreement.

31 *The United Kingdom-Denmark:* Signed food agreement in Copenhagen.

AUGUST

1 Aug. *The United Nations:* Transfer to the United Nations of League of Nations assets and properties.

France-Poland: Signed trade agreement.

2 *The United States of America:* President signed bill setting up United States civilian control authority for domestic development of atomic energy.

Hungary: Issued its new monetary unit, the forint, on a gold basis, at 11.7393 to United States dollar.

5 Aug. *United Nations Relief and Rehabilitation Administration:* Fifth Council met in Geneva; dealt with termination of UNRRA activities in Europe as of 3 December 1946, and in China as of March 1947, arranged for transfer of UNRRA activities, except responsibility for displaced persons, to the United Nations. Latter function to go to International Refugee Organization.

16 Aug. *United Nations Relief and Rehabilitation Administration:* Fifth Council met in Geneva; dealt with termination of UNRRA activities in Europe as of 3 December 1946, and in China as of March 1947, arranged for transfer of UNRRA activities, except responsibility for displaced persons, to the United Nations. Latter function to go to International Refugee Organization.

5 *International Emergency Food Council:* For second half of 1946, recommended allotment of 270,000 tons of grain for India, 180,000 tons for Ceylon, 170,000 tons for Malaya, and 145,000 tons for Philippine Republic.

8 *The United States of America:* Government announced decision to grant credits of \$30 million to Japan and \$25 million to Korea for purchase of war surplus materials.

Czechoslovakia-Poland: Economic agreement on exchange of Polish electric current for Czechoslovak goods; established train and air service between Prague and Warsaw.

9 *The United Kingdom-Hungary:* British Treasury announced payment agreement with Hungary, to remove prohibition on trade and financial relations.

The United States of America: State Department announced that Export-Import credit to Poland of \$40 million was unfrozen on receipt of texts of Poland's secret trade treaties with Denmark, Hungary, Norway, Roumania, Sweden, and the USSR.

The United States of America: Export-Import Bank granted a \$10 million credit for purchase of war surplus goods to Saudi Arabia.

Hungary: The United States of America returned \$8 million in gold, recovered in the United States zone of Germany.

- USSR-Uruguay*: Treaty of friendship, trade, and oversea navigation signed.
- 10 Aug. *Germany*: French government rejected the United States plan for unifying two or more zones, on ground it opposed principle of four-power co-ordination.
- Denmark-the United Kingdom*: Agreement by which Denmark would send 10,000 tons of beef and 40,000 head of live cattle into the United Kingdom zone of Germany.
- 12 *USSR-Poland*: The USSR handed over control of the Oder River to Poland.
- 16 *United Nations Relief and Rehabilitation Administration*: Council adjourned after setting up an international fund to care for children in liberated countries.
- 16 Aug. *The United Nations*: Moved temporary headquarters to Lake Success, New York (United States of America).
- 19 Aug.
- 17 *Denmark-USSR*: Five-year trade and shipping agreement signed, providing most-favoured-nation treatment for customs, tariffs, and harbour duties.
- 27 *Argentina*: Government established Argentine Foreign Trade Institute; made it sole sales agent for Argentina's meat exports.
- 31 *China-the United States of America*: Surplus property agreement announced. China to receive more than \$800 million United States oversea war surplus goods; in exchange, China to cancel United States debts incurred by facilities provided United States forces, to establish \$20 million fund for promoting educational exchanges with the United States.
- Philippine Republic*: Government established foreign funds control system; the United States of America Treasury closed its foreign funds control office in Manila and discontinued blocking controls over Philippine property in the United States.

SEPTEMBER

- 2 Sept. *India*: First all-Indian Executive Council assumed office in New Delhi.
- Food and Agriculture Organization*: Conference opened in Copenhagen.
- 4 *India*: Granted Siam loan of £3,750,000.
- 6 *Greece*: Report by special FAO mission recommended twenty-five-year programme to help Greece to prosperity through international loans, trade, and internal development.
- 9 *The United States of America-Italy*: Signed contract which gave Italy \$565 million of war surplus goods for \$160 million.
- 10 *The United States of America*: State Department announced Export-Import Bank would lend Brazil \$50 million, of requested \$350 million, for transportation improvement.

1946. *The United Kingdom-USSR*: Agreement announced for supply of £40 million worth of goods from the United Kingdom in exchange for timber from USSR.
- 11 Sept. to 3 Oct. *The United Nations*: Economic and Social Council: third session opened in New York.
- 11 Sept. *Egypt-Italy*: Agreement reached whereby Italy agreed to pay Egypt £4,890,000 as reparations, partly from Italian assets in Egypt, partly in Italian goods.
- 12 *International Monetary Fund*: Asked all thirty-nine member countries to set par values for their currencies within thirty days.
- 13 *The United Nations*: Sub-Commission on Economic Reconstruction of Devastated Areas unanimously adopted its final report in London, urging creation of an Economic Commission for Europe to supervise reconstruction.
Food and Agriculture Organization: Copenhagen conference concluded, after accepting proposals for a world food board and international price stabilization programme for food.
- 14 *Bulgaria*: Officially proclaimed a People's Republic.
- 17 *France-the United Kingdom*: Signed revised agreement on payment of France's £110 million debt.
Argentina-the United Kingdom: Signed trade and investment agreement; the United Kingdom to purchase about 80 per cent of all meat available for export at price about 10 per cent higher than formerly; of Argentina's £130 million blocked balance, £100 million to be kept in London to repatriate Argentine sterling debt or purchase United Kingdom sterling investments in Argentina, £20 million to be released in four annual instalments, £10 million to pay Argentine debt to Brazil; £4.5 million gold in Bank of England released.
- 18 *Japan*: Allied Council met in Tokyo.
- 19 Sept. to 10 Oct. *International Labour Organisation*: Conference at Montreal.
- 19 Sept. *The United States of America*: State Department published "Suggested Charter for an International Trade Organization of the United Nations".
Germany: Agreement between the United Kingdom and USSR authorities for exchange of iron and steel from British zone for grain and domestic coal from USSR zone.
- 21 *Brazil-the United Kingdom*: Agreement reached for exchange purchase of manufactured materials for food stuffs and raw materials.
- 25 *Provisional International Civil Aviation Organization*: North Atlantic regional conference of thirteen nations reached agreement to operate thirteen weather ships along North Atlantic air routes at cost of \$13 million yearly.

- 27 Sept. to 3 Oct. *International Bank, International Monetary Fund*: Held first business meeting in Washington.
- OCTOBER
- 1 Oct. *International Labour Organisation*: Conference voted unanimously to associate ILO with the United Nations, after twenty-seven years of autonomous operation.
- 3 *The United Nations*: Economic and Social Council completed session, after establishing Population Commission, Fiscal Commission, and recommending establishment of International Children's Emergency Fund and Economic Commission for Europe.
- 8 *Sweden-USSR*: Trade treaty signed, providing 1,000,000,000 kronor credit (\$280 million) to USSR for payment of USSR orders in Sweden; barter agreement included yearly exchange, for next five years, of 100 million kronor of goods.
- 10 *The United States of America*: Granted Greece additional \$25 million credit for purchase of oversea war surplus goods.
Italy-Poland: Signed four-year trade agreement of \$40 million.
The United States of America: Government decided to make available to Italy \$49 million as reimbursement for lire advanced to armed forces of United States.
- 13 *France*: Referendum resulted in adoption of new constitution establishing Fourth Republic.
- 14 *The United Kingdom*: Announced Lend-Lease during war totalled £2,078.5 million.
- 15 *USSR*: Budget for fiscal year 1946 announced. Total expenditure of 319,000 million rubles; industry to have 102,000 million; social and cultural service 83,000 million; defence 72,000 million, and science 5,000 million rubles. Revenue for 1946 estimated at 333,400 million rubles, an increase of over 10 per cent. Allocation of expenditure to national economy was to be increased by over 37 per cent.
- 15 Oct. to 26 Nov. *The United Nations*: Preparatory Committee of International Conference on Trade and Employment met in London.
- 15 Oct. *Peace Conference of twenty-one nations*: Closed, after approving draft treaties for five ex-enemy countries to be submitted to Council of Foreign Ministers.
Siam: Parliament approved Cabinet decision to return to French Indo-China four border areas transferred to Siam by Vichy regime.
- 16 *The United States of America*: State Department cancelled remaining \$40 million of \$50 million credit to Czechoslovakia for purchase of war surplus goods; ordered Export-Import Bank to suspend \$50 million rehabilitation credit on grounds that Czechoslovakia had agreed to resell \$10 million of surplus to Roumania at a profit.
Inter-Allied Reparations Agency: Issued report on Brussels session,

1946. 5 September to 8 October, stating that, in spite of Potsdam declaration, only 70 industrial plants from western zones of Germany had been reported available to Agency and requesting matter be considered by Council of Foreign Ministers early as possible.
- 18 Oct. *The United Kingdom*: People of South Africa and British Protectorate presented the United Kingdom with a gift of £1,081,625.
- 19 *The United States of America*: Export-Import Bank granted Turkey credit of \$25 million, for modernization of railways and industries.
The United States of America: Released Lend-Lease figures showing Government had settled 75 per cent of accounts with its thirty-eight allies. Since V-J Day, Lend-Lease totalled over \$1,843 million, bringing its total since inception to nearly \$51,000 million.
- 20 *Poland*: Announced receipt of \$4 million worth of industrial goods and machinery as German reparations from the USSR.
- 21 *Netherlands-Spain*: Signed trade agreement.
- 23 *United Nations Relief and Rehabilitation Administration*: Director-General submitted report on total UNRRA programme from inception to 31 December 1946, inclusive, totalling \$2,945.6 million.
- 23 Oct. *The United Nations*: General Assembly held second part of first session at Flushing Meadow, New York.
- 16 Dec.
- 23 Oct. *Cyprus*: Government published ten-year development plan, to cost £6 million.
- 24 *The United States of America*: Office of Price Administration closed and virtually all price controls removed.
- 25 *Austria*: Allied Control Council agreed that Austria was to have the right to control all indigenous resources.
- 25 Oct. '46 to 24 June '47 *Food and Agriculture Organization*: Preparatory Commission on world food proposals met in Washington.
- 29 Oct. *Canada*: Agreed to release \$17 million in Polish gold, stored there since 1940.
Czechoslovakia: Last transfer of Germans took place.
- 30 *The United States of America, the United Kingdom, France, and Netherlands*: Signed an agreement to establish a Caribbean Commission.
The United Kingdom-Brazil: Signed air transport agreement.
- 31 *United Nations Relief and Rehabilitation Administration*: Transferred \$1.5 million UNRRA funds to World Health Organization and \$2.25 million to twelve countries, for relief for children.

NOVEMBER

- 1 Nov. *The United Nations*: Secretary-General presented \$19,627,964 budget estimate for 1946 and \$23,790,008 for 1947.
- 3 *Argentina-Spain*: Signed two-year trade agreement; Spain also secured 350 million peso loan for three years.

- 4 Nov. *China-the United States of America*: Signed treaty of friendship, commerce, and navigation, providing freedom of travel, residence, and trade for each other's nationals.
United Nations Educational, Scientific and Cultural Organization: Came formally into being with deposit at British Foreign Office of twentieth instrument of ratification.
- 4 Nov.
to
12 Dec. *Council of Foreign Ministers*: Met in New York.
The United Nations: Interim Commission of World Health Organization met in Geneva.
- 7 Nov. *Austria-France*: Signed trade agreement for exchange of goods and raw materials to value of about \$8 million.
Denmark-USSR: Signed trade agreement providing for Danish livestock and food to be exchanged for USSR raw materials.
The United Kingdom: Foreign Office announced grant of \$10 million to Czechoslovakia for purchase of war surplus materials.
- 9 *The United Nations*: General Assembly unanimously voted membership of Afghanistan, Iceland, and Sweden, raising total to fifty-four.
- 11 *Council of Foreign Ministers*: United States Secretary of State announced United States had ordered return of about 400 Danube River ships and barges, now held in American zone of Germany, to Bulgaria, Czechoslovakia, Hungary, Roumania, and Yugoslavia.
Germany: American Military Government announced plan to split I. G. Farbenindustrie enterprises in American zone into thirty independent companies.
- 14 *India-the United States of America*: Signed commercial air pact.
- 18 *Chile-Yugoslavia*: Signed treaty establishing commercial relations.
The United States of America: Strike began in soft coal mines and became general on 21 November, when 400,000 miners struck.
- 19 Nov.
to
10 Dec. *United Nations Educational, Scientific and Cultural Organization*: First general conference held in Paris.
- 20 Nov. *Czechoslovakia-the United States of America*: Announced commercial agreement guaranteeing the United States most-favoured-nation treatment.
- 21 *Albania*: Agrarian reform completed when 200,000 peasants, representing 25 per cent of the farming population, received land.
- 27 *Council of Foreign Ministers*: Reached agreement on Trieste.
Italy-the United Kingdom: Agreement signed for employment of Italian foundry workers in the United Kingdom, under conditions identical with those of British workers.
- 29 *The United States of America*: President announced almost all grain restrictions would be removed 30 November.
The United States of America: Treasury released credits of Switzerland and Liechtenstein.

29 Nov.'46. *Netherlands-Poland*: Signed trade treaty.

DECEMBER

- 1 Dec. *Spain*: Revealed it would borrow 400 million pesetas (about \$36 million at pre-war rates) from Argentine Central Bank.
Argentina: Foreign Ministry announced willingness to receive four million European immigrants at rate of 30,000 a month; and anticipated the departure on 5 December of an Ambassador Extraordinary to Rome, to select immigrants of Italian, Spanish, French, German, and other nationalities.
- 2 *Germany*: The United States Secretary of State and the United Kingdom Foreign Minister signed formal agreement for economic merger of the United States and the United Kingdom German occupation zones, effective 1 January 1947.
International Whaling Convention: Signed in Washington by Argentina, Australia, Canada, Chile, Denmark, France, Netherlands, New Zealand, Norway, Peru, the United Kingdom, the United States of America and the USSR.
- 4 *Bulgaria-Switzerland*: Concluded trade agreement.
France-the United Kingdom: Signed financial agreement for repayment of £99,188,750, balance remaining due to the United Kingdom under agreement of 27 March 1945; also for claims of war and post-war period.
- 5 *Czechoslovakia-Turkey*: Trade agreement signed.
Finland-USSR: Trade agreement signed.
- 6 *Council of Foreign Ministers*: Completed action on peace treaties for Bulgaria, Finland, Hungary, Italy, and Roumania.
- 7 *Yugoslavia*: National Assembly approved law nationalizing forty-two industries, owners to receive payment in state bonds.
- 8 *Argentina-Czechoslovakia*: Trade agreement signed.
- 10 *Czechoslovakia-Turkey*: Temporary trade agreement with mutual credits signed.
- 11 *The United Nations*: General Assembly voted establishment of Economic Commission for Europe; Economic Commission for Asia and the Far East; and Special Technical Committee on Relief Needs after the Termination of UNRRA; established International Children's Emergency Fund.
Norway-USSR: Signed two-year trade pact; also mutual exchange agreement for 1947.
- 13 *Argentina-Chile*: Trade pact signed, by which Argentina agreed to grant loans and credits, and to invest in Chile over 700 million pesos (over £40 million).
- 14 *The United Nations*: General Assembly voted to accept \$8.5 million New York property offer of Mr. John D. Rockefeller, Jr., as site of United Nations headquarters. Assembly constituted Trusteeship Council as a principal organ of United Nations; adopted budget of \$19,390,000 for financial year 1946 and \$27,740,000 for 1947,

with working capital fund to be maintained at \$20 million; approved agreements with International Labour Organisation, United Nations Educational, Scientific and Cultural Organization, Food and Agriculture Organization, and International Civil Aviation Organization as specialized agencies; adopted resolution on regulation and reduction of armaments.

The United Kingdom: Granted credit to Czechoslovakia for £2.5 million for purchase of war surplus goods.

- 14 Dec. *The United Nations:* General Assembly adjourned after voting constitution and \$161 million budget for International Refugee Organization.

Cuba: Government announced that it would sell 300,000 tons of 1947 sugar to countries other than the United States of America.

The United States of America: Advanced Philippine Republic \$1 million for war damages to public property.

Inter-Governmental Committee on Refugees: Plenary session opened in London.

- 17 *The United States of America:* Agriculture Department reported 1946 farm crop greatest in country's history.

- 18 *The United Kingdom:* House of Commons approved, on second reading, a bill to nationalize all British transport.

The United Kingdom: Announced it would extend Austria \$40 million in grants and credits.

- 19 *France:* Announced introduction of customs control between the Saar and the remainder of French occupation zone of Germany.

- 20 *The United Kingdom:* Government offered Burma independence on same terms as extended to India.

Roumania: Parliament passed law nationalizing National Bank.

Italy: Received first quota of \$51 million, covering part of United States of America occupation expenses.

- 22 *Poland:* Cabinet announced that factories employing up to 100 persons, rather than 50 as previously stated, would be exempted from nationalization.

Poland: Announced coal mining industry reached its 1946 goal of 46 million tons.

France-Italy: Concluded trade and payment agreement.

Germany: Three-months' agreement on inter-zonal trade signed by USSR and combined United Kingdom and United States zone authorities.

- 23 *The United States of America:* President in ninth quarterly report to Congress on United Nations Relief and Rehabilitation Administration reported State Department would negotiate directly with countries after UNRRA's termination.

Hungary-Yugoslavia: Trade agreement announced.

- 25 *Netherlands:* Queen Wilhelmina proclaimed Provisional State of East Indonesia.

- 26 *The United Kingdom-France:* Abolished visas for one another's

1946. nationals while travelling; agreement covered metropolitan France, the United Kingdom, and Algeria.
- 26 Dec. *The United States of America:* Army and Navy Petroleum Board announced that after 31 December private companies would be free to sell oil to China and Philippine Republic.
The United States of America: Standard Oil of New Jersey and Socony Vacuum announced agreement with Anglo-Iranian Company for purchase of crude oil over a period of twenty years, and for proposed joint pipe-line from Persian Gulf to Mediterranean.
- 27 *Poland:* Government issued statement that Bank of Poland had been refused return of £10 million of gold deposited with Bank of England during war.
The United States of America: State Department announced release of \$9.3 million of Polish property, \$27.5 million in gold, and \$900,000 in accounts of Bank of Poland. Agreement to compensate American owners of firms nationalized in Poland preceded the action.
The United States of America: President informed Congress that 70 per cent of Lend-Lease was considered repaid in settlements.
- 29 *Albania-Yugoslavia:* Signed economic treaty providing for formation of common tariff and customs territory; unification of state planning and monetary equality.
- 30 Dec. *The United States of America:* President proclaimed end of Second
to World War hostilities.
- 31 Dec. *Germany:* Statement by the United Kingdom and United States zonal authorities estimated exports from the United Kingdom and United States zones at £25 million for 1946.

1947

JANUARY

1. Jan. *Norway-USSR:* Commercial treaty signed for exchange of goods to value of £3 million.
The United Kingdom: National Coal Board assumed control of the country's 1,500 coal mines, valued at \$658,640,000, employing 692,000 miners.
Germany: The United Kingdom and United States zonal merger took effect.
- 2 *France:* Government decrees for lowering market prices published.
- 7 *France:* Planning Council adopted the Monnet Four-year Plan for modernization of six basic industries—fuel, power, steel, cement, farm machinery, and transport.
The United States of America: Treasury released Poland's blocked account; released remaining accounts of China, Netherlands East Indies, French Indo-China and Turkey on 1 January.
- 8 *The United States of America:* Treasury, with \$50 million check,

- completed payment of \$260 million to Italy for lire used by Allied troops.
- 9 Jan. *Brazil*: Nelson A. Rockefeller established a \$3 million International Basic Economy Corporation to aid Brazilian agriculture.
- 10 *The United States of America*: President submitted federal budget for year ending 30 June 1948 to Congress, with total expenditure of \$37,528 million and estimated revenue of \$37,730 million. He asked lump sum of \$326 million for further relief aid to Greece and others.
- International Emergency Food Council*: Announced rice allocations. Rice available for allocation was estimated 50 per cent under requirements.
- 11 *Transjordan-Turkey*: Friendship pact announced.
- 12 *Afghanistan-USSR*: Agreement on frontier announced.
- 14 *Council of Foreign Ministers*: Deputies met in London to discuss problems of Germany and Austria.
- 15 *The United States of America*: Italian Prime Minister de Gasperi left Washington after promise of \$100 million loan from Export-Import Bank; diversion of six shiploads of wheat by United States Army from Germany to Italian ports, to prevent famine; agreement by the United States to cancel Italian indebtedness for pre-UNRRA food and relief.
- The United States of America*: Treasury released \$6 million in Austrian assets.
- Canada-France*: Trade agreement announced.
- 18 *Germany*: Germans from USSR zone concluded two trade agreements with combined United States and United Kingdom zones, for exchange of 210 million marks of goods in 1947.
- 19 *Poland*: General election held.
- 22 *The United States of America-Finland*: Export-Import Bank announced grant of \$20 million to Finland.
- 23 *European Coal Organization*: Announced programme of allocation to needy countries would continue another year.
- 25 *Germany*: Agreement permitting direct trade between German and foreign business men, signed by representatives of the Netherlands and of American and British Military Governments.
- 26 *Venezuela*: Nelson Rockefeller announced he would establish project to aid Venezuelan agriculture, financed by private United States and Venezuelan capital.
- Bulgaria*: Supreme Economic Council confirmed two-year economic plan.
- Italy*: Completed arrangements to purchase \$30 million in gold in the United States with dollars from Italy's holdings there.
- 28 Jan. *South Pacific Conference*: Convened in Canberra, Australia, by to Australia, France, the Netherlands, New Zealand, the United Kingdom and the United States of America, to fashion new charter for
- 6 Feb.

1947. native peoples of South Pacific and attain common policy to advance native welfare.
- 28 Jan. *The United States of America*: State Department announced the United States Government considered that provision of the Yalta and Potsdam Agreements had not been fulfilled by the Provisional Polish Government in the elections.
The United Kingdom: Labour Ministry, Trades Union Congress agreed to admission of half million displaced persons, including 50,000 Jews, to aid country's labour shortage.
- 29 *The United Nations*: General Assembly's Special Technical Committee on Relief Needs after the Termination of UNRRA reported that Austria, Greece, Hungary, Italy, Poland, and Yugoslavia would need \$583 million during 1947, for minimum food and basic essentials. China estimated its needs at \$294,924,031.
- 30 *International Emergency Food Council*: Meeting in Washington; Secretary-General's report summarized world food positions as follows: since October, worsening of cereal, meat, and fat supply; general decline, between July 1945 and June 1946, of 12 million to 15 million tons of cereals.

FEBRUARY

- 3 Feb. *Belgium*: Reached agreement with Inter-Governmental Committee for Refugees for permanent settlement in Belgium of 20,000 persons of Baltic origin from United States zone of Germany.
- 4 *The United Nations*: Entry into force of protocol agreements of Food and Agriculture Organization, and United Nations Educational, Scientific and Cultural Organization with United Nations.
The United Kingdom: Coal shortage caused shutdowns, throwing estimated 50,000 out of work, putting 30,000 on part time; auto and textile industries greatly affected.
The United Kingdom: House of Commons, on second reading, approved bill nationalizing electric power.
Provisional International Civil Aviation Organization: Seventeen-nation conference opened in Melbourne, Australia.
Finland-USSR: Agreement by Finland to transfer to USSR German assets, totalling 6,000 million Finnish marks, in form of goods and territory, and to sell an area near Petsamo.
- 5 *Inter-Allied Reparations Agency*: Reported that in 1946 122 German plants and 227 ships, grossing 659,904 tons, were received. All shipping and contents of thirty-one factories were allocated to member nations, but only 20 per cent in industrial allocations was delivered.
The United Kingdom: Government disclosed £25 million plan for chain of 107 mechanized ground-nut (peanut) farms covering 3,317,000 acres in Kenya, Tanganyika and Southern Rhodesia.
- 6 *South Pacific Conference*: Ended with signing of agreement constituting South Pacific Commission; to consist of two representa-

tives of each member Government, to advise and assist in task of advancing economic and social welfare of about 1.7 million native people.

- 7 Feb. *United Nations Relief and Rehabilitation Administration:* Announced creation of emergency food fund of \$35 million, about \$25 million of which to be diverted from original purposes, and \$4 million from contingency reserve. Allocation: \$21 million to Austria, \$11 million to Poland, and \$4 million to Greece.
- 10 Feb. *The United Nations:* Preparatory Commission of International
to Refugee Organization held first session at Geneva.
- 21 Feb. *Argentina-China:* Treaty of friendship announced.
- 10 *Peace treaties ending Second World War:* Signed in Paris, with Italy, Bulgaria, Finland, Hungary, and Roumania; twenty allied nations participating.
China: Currency sank to new low levels.
China: Nationalist Government began new five-year plan.
Czechoslovakia-Italy: Two-year agreement signed in Rome, providing for recruitment of Italian workers in Czechoslovak industry, agriculture, and construction.
- 11 *International Labour Organisation:* Twelve-nation oil conference in Los Angeles recommended regional minimum wages, free unionization and collective bargaining, safety education and research, basic and apprentice education for oil workers, preferential hiring of natives, and preferential placement of regular employees in job vacancies.
Belgium-Czechoslovakia: Trade pact announced.
- 12 *Argentina:* Purchased British-owned railroad system for \$150 million.
- 13 *The United Nations:* Transport and Communications Commission recommended appointment of committee of experts from Provisional International Civil Aviation Organization, International Telecommunications Union, International Meteorological Organization, and Provisional Maritime Consultative Union, to study sea safety measures. It recommended inter-governmental shipping organization to meet in Europe in autumn, and an international transport body to supersede European Central Inland Transport Organization.
The United Kingdom: Prime Minister reported 25 per cent of the United Kingdom's industrial employees idle because of fuel and weather crisis.
- 14 Feb. *The United Nations:* Working Group for Asia and the Far East
to Temporary Sub-Commission on Economic Reconstruction held
7 Mar. second session at Lake Success; recommended establishment of Economic Commission for Asia and the Far East.
- 15 Feb. *United Nations Educational, Scientific and Cultural Organization:* Director-General reported \$25 million, of reconstruction goal of

1947. \$100 million, reached for aid to schools, libraries and museums.
Belgium-Luxembourg-the United Kingdom: Abolished visas for one another's nationals.
- 16 Feb. *China*: Fixed official rate for United States dollar at 12,000 Chinese dollars; prohibited trading in gold and foreign currencies.
- 17 *Inter-Governmental Committee on Refugees*: Announced agreement with Venezuela for resettlement of 15,000 displaced persons from Germany and Austria.
- 18 *The United Kingdom*: Foreign Minister announced Government's decision to submit the Palestine problem to the United Nations.
The United States of America: President diverted food shipments to Roumania to relieve Moldavia famine.
- 19 *The United States of America*: Returned to Austria \$4.7 million of its gold reserve recaptured from the Germans.
- 20 *Roumania-USSR*: Concluded trade and navigation treaty; also agreement on exchange of commodities and payments in 1947.
Bulgaria: National Assembly adopted law inaugurating national industrialization fund.
Germany: German exporters in combined United Kingdom and United States zones signed trade agreement with delegation of Belgium-Luxembourg Economic Union.
The United Kingdom-the United States of America: Joint Export-Import Agency of Berlin signed trade, postal, and communications pact with Belgium.
- 21 *The United Kingdom*: White paper on economic conditions in *Economic Survey for 1947* published.
Italy-Argentina: Signed agreement on the recruiting of Italian workers for Argentina.
- 24 *The United Kingdom-the United States of America*: Occupation authorities announced British firms would in future be able to negotiate directly with Germans in purchases of goods.
Austria: USSR occupation authorities paid 5 million schillings; promised another 5 million schillings in the near future to Socony Vacuum and Shell Oil Companies for oil seized in Austria; total valued at nearly 40 million schillings.
Finland-Sweden: Signed trade pact for exchange of \$20.7 million during 1947.
The United Kingdom-Germany: British Board of Trade announced revocation, effective 4 March, of trading with enemy regulations banning trade with Germany.
USSR: Supreme Soviet unanimously approved state budget for 1947 and passed State Budget Act providing for revenue of 394,202,438,000 rubles and expenditure of 374,105,064,000 rubles.
Argentina: Government announced country's entire exportable meat surplus would be shipped to the United Kingdom.
- 25 *France*: A second decree reducing market prices was promulgated, to come into force on 1 March.

- 26 Feb. *The United States of America:* Senate approved reduction of \$4,500 million in federal budget.
Greece: Asked International Children's Emergency Fund to provide supplementary food for 2,848,000 children and 100,000 mothers.
The United States of America: Granted Netherlands additional \$10 million credit for purchase of war surplus goods, raising total to \$36 million.
Czechoslovakia-Yugoslavia: Signed five-year agreement on "capital goods deliveries".
- 27 *The United States of America:* Export-Import Bank granted Turkish State Railway \$4,905,000 loan for purchase of locomotives.
- 28 *Denmark-the United Kingdom:* Signed financial and trade agreement.
The United States of America-Siam: Signed air transport pact.
The United States of America: Export-Import Bank approved additional \$3 million credit to Bolivia.
The United Kingdom: Coal and weather crisis eased as industries began to work again and unemployment fell.
Bolivia: The United States, Argentina, Chile, and Panama rushed relief to flooded area in northern Bolivia.
- 28 Feb. *The United Nations:* Economic and Social Council held fourth session at Lake Success.
- 29 Mar. *India:* Finance Minister introduced budget to Legislative Assembly. It showed revenue at Rs 279 crores, and expenditure at Rs 327 crores. Fresh taxation was expected to yield Rs 40 crores; the salt tax was to be abolished at a cost of Rs 9 crores; the final deficit was Rs 17 crores.
- 28 Feb. *India:* Finance Minister announced to Legislative Assembly decision to nationalize the Reserve Bank of India.
Union of South Africa: Finance Minister submitted the budget for 1946-47; total expenditures estimated at £120 million and revenue about £110,000 less. Tax reductions totalling £15,835,000 were announced.
France: Government decided that all wage-earners receiving less than 7,000 francs a month in the Paris area, or less in the provinces, according to established agreements, should receive from 1 July a special allowance to bring their wages to that level.

MARCH

- 1 Mar. *USSR:* Government's economic survey reported that 1946 plan for industry had not been carried out; principal reasons were the coal and man-power shortage.
Norway-the United Kingdom: Abolished visas for one another's nationals.

- 1 Mar. 1947. *International Monetary Fund*: Began operation in Washington with potential funds of \$7,500,000,000.
The United States of America: Revealed it had asked the United Kingdom to continue military and economic aid to Greece while it considered ways to implement its commitments to both Greece and the United Kingdom.
- 2 *The United States of America*: Export-Import Bank announced it would cease emergency reconstruction loans, but would continue to take applications for loans to finance foreign trade.
- 3 *The United States of America*: State Department received urgent appeal from Greek Government for immediate aid in food, arms, and services to aid reconstruction and avert famine, restore peace.
Union of South Africa-the United States of America: Agreement announced whereby South Africa's Lend-Lease account of \$169 million would be settled for \$100 million cash.
- 4 *France-the United Kingdom*: Signed treaty of alliance and mutual friendship.
Canada: Announced establishment, with the United States, of nine weather stations in Arctic, under Canadian control.
Australia: Announced gift to the United Kingdom of £20 million.
- 5 *New Zealand*: Announced £10 million gift to the United Kingdom in recognition of British war effort.
- 6 *The United Kingdom*: Government plan to quit India approved by Commons.
USSR: Granted Poland loan of \$28,875,000, for purchase abroad of needed food and raw materials.
- 10 *Czechoslovakia-India*: Trade agreement announced.
Czechoslovakia-Sweden: Trade agreement announced.
Czechoslovakia-Poland: Signed twenty-year treaty of friendship and mutual assistance.
- 10 Mar. to 24 April. *Moscow Conference of Foreign Ministers*: Met, with Foreign Ministers of France, USSR, the United Kingdom, and the United States present.
- 11 Mar. *Yugoslavia*: Reported 5 million faced starvation, asked International Emergency Food Council for 100,000 tons of grain.
Indonesian Republic: Inaugurated open-door policy towards foreign trade.
Austria-Hungary: Signed financial and economic agreement.
Cuba-Peru: Civil airlines agreement announced.
- 12 *Paraguay*: Civil war broke out.
The United States of America: President Truman's speech to Congress on aid to Greece and Turkey: asked \$400 million aid; \$250 million for Greece, \$150 million for Turkey.
United Nations Relief and Rehabilitation Administration: Cancelled \$41 million non-food purchases earmarked for China and Europe, to meet increased commitments to Austria, Greece, and Poland.

- 13 Mar. *The United States of America*: Export-Import Bank granted \$50 million credit to Norway.
- 14 *The United Kingdom*: House of Commons voted grant of £19 million to Greece.
Greece: Final report of Food and Agriculture Organization mission for Greece published.
Poland: Requested Food and Agriculture Organization to make agricultural survey.
The United States of America-Philippine Republic: Signed ninety-nine year treaty. National plebiscite on 11 March granted the United States equal trading rights until 1974, in return for \$620 million in United States rehabilitation fund. Measure pegged peso at two to the United States dollar until 1974.
Yugoslavia: Appealed to the United States for food relief.
- 15 *Sweden*: Government issued a general ban on imports, excluding only certain essential items, in order to conserve foreign currency.
- 17 *Netherlands-the United Kingdom*: Reached agreement on purchase of Netherlands surplus dairy produce.
The United States of America-Mexico: Signed agreement for joint campaign against foot and mouth disease in Mexican livestock.
- 18 *Egypt*: Finance Minister announced that the United Kingdom had asked that sterling balances be scaled down, and the request had been refused.
- 19 *Finland-France*: Trade treaty announced.
Argentina: Refused to join the United States, Canada, and Australia in \$1.25 to \$1.80 price scale for export wheat.
The United States of America: Foreign Affairs Committee of House of Representatives approved \$350 million relief bill for Greece, Italy, Hungary, Poland, Austria, and China.
- 20 *The United States of America*: State Department rejected Yugoslav request for food relief on basis that Yugoslavia was not among "those countries having the greatest need".
- 21 *The United Kingdom*: Foreign Minister presented details of reparations, i.e., value of industrial equipment, received by the United Kingdom from Germany, to Conference of Foreign Ministers.
Union of South Africa: Paid the United States half its Lend-Lease balance, \$50 million.
France-Italy: Signed agreement providing for immigration of 200,000 Italian workers and families within a year.
- 24 *The United Nations*: Commission for Conventional Armaments held first meeting at Lake Success.
- 25 *The United States of America*: State Department issued summaries of hitherto unpublished clauses of agreements signed by USSR, the United Kingdom and the United States at Teheran, Yalta, and Potsdam in 1943 and 1945.
Netherlands-Indonesian Republic: Netherlands and Indonesian representatives signed agreement (Cheribon Agreement) granting

- 25 Mar. 1947. *de facto* recognition to Indonesian Republic, and providing for a United States of Indonesia by 1 January 1949 and for a Netherlands-Indonesia Union.
The United States of America: Protested Swedish general import ban because of its discriminatory effect.
- 26 *The United States of America*: Maritime Commission approved sale to the United Kingdom of 137 merchant ships for £18 million.
Yugoslavia: Appealed to the United States to reverse decision of 20 March 1947 on food relief.
- 26 Mar. to 28 April. *The United Nations*: Trusteeship Council held first session at Lake Success.
- 27 Mar. *Yugoslavia*: Requested food supplies of the United Kingdom.
France: Premier announced the United States had promised France 553,000 tons of wheat during 1947.
- 28 *The United Kingdom*: Agreed to give Greek Government £1.5 million of surplus British Army stocks in Greece.
Argentina-the United Kingdom: Trade treaty of 1936, which expired at end of 1946, renewed indefinitely, subject to denunciation by either side at any time.
Argentina: Chamber of Deputies passed Perón five-year plans for new industry and national improvements.
The United States of America: Treasury released Swedish assets in the United States.
United Nations Relief and Rehabilitation Administration, Intergovernmental Committee on Refugees: Announced two ships are ready to take 30,000 displaced persons to Venezuela and Brazil.
- 29 *The United Nations*: Economic and Social Council closed its fourth session after establishing Economic Commission for Europe and Economic Commission for Asia and the Far East. The Council decided to call international conference on resources and authorized a conference on shipping.

APRIL

- 1 April. *The United Kingdom-Italy*: Agreed on pact liquidating British war claims, and converting £32 million Italian credit in London into dollars.
Burma: Dropped currency link with India.
Bulgaria: National Assembly adopted two-year economic plan.
The United States of America: Government authorized General MacArthur to make advance reparation deliveries from Japan to China, Philippine Republic, the Netherlands, and the United Kingdom.
- 4 *International Civil Aviation Organization*: Officially succeeded Provisional International Civil Aviation Organization, in Montreal, with membership of twenty-eight nations.

- 1 April. *The United States of America*: Treasury lifted all controls on importation of currency.
- 5 *The United States of America-Hungary*: Signed agreement by which latter to receive \$7 million loan for purchase of United States raw materials.
Italy: Government, in order to check inflation and speculation, ordered reduction in prices of rationed foods and took steps for supply of clothing at controlled prices, higher luxury taxes, closer control of foreign trade.
- 7 *The United States of America*: Agriculture Department announced emergency allocation of 296,000 long tons of grain for April-May shipment to Belgium, Egypt, France, Germany, Italy, Norway, and Latin America.
- 8 *Indonesian Republic*: Economics Minister announced ten-year plan to socialize the Republic.
China: Government published rules for sales of many government-owned businesses to individuals.
India: Legislative Assembly passed bill establishing the rupee as an independent currency.
- 9 *Roumania*: Ordered wage increases, ranging up to 700 per cent in face of grossly inflated prices.
- 10 *The United Nations*: Preparatory Committee of Conference on Trade and Employment opened its second session in Geneva.
- 13 *Afghanistan-USSR*: Signed agreement on radio and telecommunications.
The United Nations: Secretary-General called a special session of the General Assembly to meet on 28 April to consider the question of Palestine.
The United Kingdom: Agreement reached with Belgium and Luxembourg for increased imports of steel, textiles, and food.
- 15 *Germany*: USSR occupation authorities informed American correspondents that in eighteen-month period ended 31 March 1947, 4,997,000 of 7,325,000 pooled acres of 6,696 large estates in USSR occupation zone were redistributed among 478,380 peasants.
The United Kingdom: Chancellor of the Exchequer introduced 1947-1948 budget. Reviewing estimates for previous years, he indicated £569 million deficit (£157 million below estimate); 1947-48, expenditure of £3,181 million (19 per cent below 1946), and revenue of £3,429 million.
The United Kingdom: First group of 1,000 Italian foundry workers left for the United Kingdom.
- 17 *The United Kingdom-Italy*: Signed financial agreement, including settlement of various mutual financial claims.
- 18 *Roumania*: Borrowed \$7 million from Chase National Bank of New York.
Bulgaria: Statement published by British, Italian, Swiss, Turkish,

1947. and United States missions reports agreement reached in Sofia with Bulgarian Government on currency exchange question.
- 19 April. *Bulgaria*: Government ordered 10 per cent to 30 per cent cut in prices.
- 20 *Italy-Yugoslavia*: Signed agreement on commerce and economic co-operation.
- 21 *Germany*: France, the United Kingdom, and the United States reached agreement on increased Ruhr and Saar coal shipments to France when production is increased.
- Ireland*: World's first free-zone airport opened in Shannon.
- 22 *Czechoslovakia-Bulgaria*: Four-year trade treaty announced.
- 23 *France*: Cabinet decided on two new measures to balance the budget: (1) uniform reduction of 7 per cent in expenditure of all government departments; and (2) tax of over 100 per cent on unrationed petrol purchases.
- 23 *Germany*: France, USSR, the United Kingdom, and the United States reached agreement to devalue the reichsmark 90 per cent; 70 per cent of present currency will be cancelled and 20 per cent put into special blocked accounts.
- 24 *Yugoslavia*: Announced five-year general economic development plan to cost \$5,566,000,000.
- France*: Facing shortage of 200,000 tons of wheat, France cut daily bread ration of 300 grammes to 250 grammes.
- Council of Foreign Ministers*: Adjourned after forty-six days, after agreeing to repatriate all German prisoners held by the four Allies (1,954,477) by 31 December 1948; to appoint four-power commission to meet 12 May to work on disputed points of Austrian treaty, on reduction of German occupation forces by 1 September, on liquidation of Prussia as a State, on completion of demilitarization and denazification of Germany, on United States and USSR exchange of notes on China, and on revival of Joint Commission in Korea.
- 25 *Netherlands-Bulgaria*: Trade agreement announced.
- Nepal-the United States of America*: Having recognized the Kingdom of Nepal, the United States concluded a treaty of friendship and commerce with it.
- 27 *Italy-Turkey*: Signed trade pact.
- Poland-the United Kingdom*: Signed three-year trade agreement.
- 28 *Food and Agriculture Organization*: Timber Conference opened in Prague.
- The United Kingdom*: Minister of Agriculture revealed severe February and March weather killed 4 million sheep and lambs, 20 per cent of country's total.
- The United Nations*: General Assembly: Special session on Palestine opened.
- 29 *Canada*: Finance Minister presented budget; 1946-1947 revenue amounted to \$2,984 million, expenditure to \$2,632 million.

29 April. *The United States of America-Syria*: Signed aviation agreement. *France-the United Kingdom*: Agreement reached whereby the United Kingdom would send France £15 million to balance the deficiency of that amount in the Anglo-French financial agreement of 27 March 1945, concluded on 29 April 1946.

Mexico: Applied for loan of \$208,875,000 from International Bank for Reconstruction and Development.

30 *The United Kingdom*: Bank of England issued the first annual report in its 235-year history, revealing deposit rise of £91 million during year ended 28 February, first year of bank's nationalization. *The United Kingdom*: Foreign Minister, in House of Commons statement, estimated the United Kingdom contribution to world recovery at £740 million in grants and credits.

MAY

1 May. *The United Kingdom*: House of Commons approved bill to nationalize all inland transport.

The United States of America-Argentina: Signed air agreement.

2 *The United States of America*: Secretary of State announced China had agreed to begin talks on settlement of Chinese \$2,000,000,000 debt outstanding on war accounts.

2 May *The United Nations*: Economic Commission for Europe, held first session in Geneva; eighteen nations attending.

15 May. 3 *Germany*: The United States occupation legal experts at Nürnberg filed a five-point war crimes indictment against twenty-four key *I. G. Farbenindustrie* officials; first time in history that industrialists were accused of aggressive warfare.

Italy: Cabinet decided on 15 per cent salary increase for civil servants.

4 May *USSR*: Finance Minister estimated five-year plan will cost 250,000,000,000 rubles (\$50,000,000,000 at official exchange rate of 5 rubles to \$1).

10 May. To help pay for plan, a second state loan of economic rehabilitation and development was issued, interest replaced by lottery prizes, totalling 17,800,000,000 rubles. Drive completed by 10 May with subscriptions reaching 22,500,000,000 rubles.

7 *International Refugee Organization*: Preparatory Commission received report that 1,345,902 displaced persons, including 879,950 in Europe, would eventually have to be resettled.

9 *International Bank for Reconstruction and Development*: Made first loan, \$250 million, half of requested sum, to France.

10 *Transjordan*: Convention was signed by Transjordan Prime Minister and General Manager of Iraq Petroleum Company giving to the Petroleum Development (Transjordan) Ltd. exclusive rights for the exploration and exploitation of petroleum in the country for seventy-five years.

12 *Council of Foreign Ministers*: Four-power commission, appointed

1947. by Council, begun discussion of unagreed clauses of the Austrian peace treaty.
- 12 May. *The United States of America*: Granted Finland additional credit of \$10 million for purchase of American surplus goods abroad.
- 13 *United States of America-Mexico*: Terms of financial agreement announced.
France-Yugoslavia: Signed \$5,460,000 trade pact.
- 14 *International Refugee Organization*: Preparatory Commission decided to take over work of United Nations Relief and Rehabilitation Administration and Inter-Governmental Committee 30 June without waiting for its final establishment as a permanent United Nations body.
- 14 May to 2 June. *Hungary*: The United States, pending clarification of the events leading to the resignation of Premier Nagy, suspended, on 2 June, the remaining half of the \$30 million credit granted Hungary in February 1946 for purchase of war surplus materials.
- 15 May. *The United Nations*: General Assembly completed first special session, having approved a Palestine Inquiry Committee, and specified its functions and powers.
The United Nations: Economic Commission for Europe agreed to take over European Coal Organization this year.
- 16 *International Telecommunications Conference* of fifty-four nations opened in Atlantic City, New Jersey (United States of America).
International Civil Aviation Organization: Completed working agreement with the United Nations.
International Refugee Organization: Announced sixteen nations, whose contributions would represent over 75 per cent of the budget, have signed the Constitution.
- 19 *France*: Prime Minister revealed that balance of payments in 1946 showed a deficit of \$990 million; to cover this, country had to export two-thirds of its gold reserves.
France: Government floated two loans for financing reconstruction, one of 10,000 million francs for the railways; the other, an issue of reconstruction certificates.
Germany: The United States Headquarters announced that after 27 May, cigarettes could not be shipped from the United States to private persons in the United States zone; a measure taken to check the black market.
- 20 *Belgium, France, the United Kingdom*: Colonial conference began in Paris to co-ordinate medical, agricultural, reforestation, and irrigation activities in African colonies.
- 21 *United Nations Relief and Rehabilitation Administration*: Director-General reported that of the 8 million displaced persons at the end of the war, over 7 million had been repatriated by various agencies.
The United Kingdom: Reached agreement with Burma whereby

the United Kingdom would contribute £12 million towards the deficit in the 1946-47 budget of Burma, and £18,375,000 for rehabilitation in 1947.

- 21 May. *France*: Trade agreement with combined United Kingdom and United States zone of Germany.
- 22 *International Monetary Fund*: Advanced \$25 million to France and \$12 million to Netherlands, in exchange for similar amounts in francs and guilders, as a stabilization measure.
The United States of America: President Truman signed \$400 million Greek-Turkish aid bill.
International Refugee Organization: Preparatory Committee adopted report outlining the plans of the organization.
- 23 *The United Kingdom-Hungary*: Announced trade agreement whereby Hungary would export foodstuffs to the United Kingdom for three years.
- 24 *The United States of America*: Granted Yemen \$1 million surplus property credit.
Germany: USSR zone authorities disclosed trade agreements with Netherlands, French zone, USSR, Sweden, and Switzerland.
- 25 *Poland-Yugoslavia*: Signed treaty on economic co-operation and exchange of commodities.
- 27 *United States of Indonesia*: Note from the Netherlands received in which Netherlands Government stated it regarded the agreement of March 1947 as the permanent basis of its policy, and urged joint measures to end violence. The proposals covered the reconstruction of the Netherlands Indies Government as the central apparatus of the future federation; the regulation of foreign relations, economic questions and relations with such parts of Indonesia as did not belong to the Republic; the integration of occupied areas of Java and Sumatra within Republican territory.
- 28 *Netherlands*: Signed Lend-Lease accord with the United States for \$104,560,000.
Finland-Yugoslavia: Signed trade agreement.
International Railways Communications Conference: Opened in Geneva.
- 31 *United States of America*: President signed legislation approving expenditure of \$350 million for relief to foreign countries after the termination of United Nations Relief and Rehabilitation Administration.

JUNE

- 2 June. *The United Kingdom-the United States of America*: Announced agreement establishing German bi-zonal fifty-four member Economic Council to regulate zonal industry, food, and finance in joint zones.
The United Kingdom: Colonial Office announced the dispatch of

1947. a mission to the Gambia, Gold Coast, and Nigeria to investigate the possibility of large-scale, mechanized growing of ground-nuts with a view to easing the United Kingdom fat shortage.
- 3 June. *The United Kingdom-India*: The United Kingdom announced plan for partition of British India into independent Moslem and Hindu States, offering each dominion status on 15 August with right to withdraw from Empire after June 1948.
The United Kingdom: House of Commons passed bill setting up development councils for unnationalized industry.
- 5 *The United States of America*: Secretary of State Marshall, speaking at Harvard University, said that Europe's requirements for the next three or four years of foreign food and other essential products, principally from the United States, were to be so much greater than present ability to pay, that the Continent must have substantial additional help or face serious deterioration. Since such aid could not be given piecemeal and have its full effectiveness, he suggested that the countries of Europe draft a joint programme, in which the United States would later give all possible assistance. Later, he defined Europe as "everything west of Asia", including the United Kingdom and USSR.
- 6 *Indonesian Republic*: Accepted Netherlands proposals for an interim National Government of all Netherlands Indies islands, preparatory to establishing the United States of Indonesia.
The United Kingdom-Poland: Signed three-year £60 million trade agreement, providing for British importation of 250,000 tons of coal in first year.
Italy: Prime Minister discussed 1947-48 budget, estimating expenditures at 832,000,000,000 lire, receipts at 520,000,000,000, producing 312,000,000,000 lire deficit. Balance of payments presented equally serious problem, requiring \$350 million for the second half of 1947, with only \$150 million in sight.
Japan: The United States occupation authorities announced limited private international trade with Japan would be resumed 15 August 1947.
- 10 *Canada*: Authorized immigration of 5,000 European displaced persons under new policy of admitting persons suitable for employment in industries short of labour.
Poland-Switzerland: Economic agreement signed.
- 11 *The United States of America*: Secretary of Agriculture ended all rationing except industrial sugar, effective 12 June; price controls retained.
Germany: Representatives of combined United Kingdom and United States zones signed agreement with Switzerland for facilitating resumption of ordinary trade.
- 12 *Sweden*: Government announced further anti-inflation plans.
Hungary: Government announced three-year economic plan.
- 14 *Germany*: The United Kingdom and the United States zonal

- authorities reached agreement with United States exporters for supply of United States cotton to German firms on a short-term credit basis.
- 16 June. *The United States of America*: President vetoed bill for \$4,000,000,000 reduction in income tax.
- 16 June to 2 July. *The United Nations*: Economic Commission for Asia and the Far East ended its first session in Shanghai, after instructing Secretariat to complete its study of Far Eastern reconstruction needs and short-term requirements, which could be met from area's resources.
- 17 June. *Italy*: Council of the Republic ratified the peace treaty.
Burma: Constituent Assembly established Union of Burma as an independent republic.
- 18 *France-the United Kingdom*: Foreign Ministers of the United Kingdom and France welcomed statement of the United States Secretary of State, announced they would ask the Foreign Minister of the USSR to join them for a discussion, during week of 23 June, of the organization of economic co-operation among the countries of Europe and the help the United States could envisage.
- 19 *United Nations Food and Agriculture Organization*: Issued report on European bread-grain deficiency until harvest time.
- 20 *The United States of America-Iran*: Signed agreement under which Iran would receive a fifteen-year \$25 million credit to buy surplus United States military equipment.
The United States of America-Greece: The United States Ambassador and Greek Foreign Minister signed agreement putting \$300 million United States aid programme into effect.
France: Ministry of Finance announced programme for balancing the budget.
- 21 *Austria*: The United States High Commissioner informed the Chancellor that, effective 1 July, United States forces would purchase all the Austrian schillings required for occupation costs in dollars.
- 22 *The United States of America*: President appointed three committees to make preliminary surveys for aid to Europe: (1) to survey state of United States resources (Krug Committee); (2) to study impact of foreign aid on United States economy (Nourse Committee); and (3) to advise on safe limits within which aid can be extended (Harriman Committee).
- 23 *Caribbean Commission*: Opened its first conference in Kingston, Jamaica.
USSR: Accepted invitation of the United Kingdom and France to discuss, in Paris, on 27 June, the proposal of United States Secretary of State Marshall.
Germany: The United Kingdom and the United States zones concluded \$8 million trade pact with French zone.
The United States of America: Congress overrode Presidential veto of Taft-Hartley labour bill.

- 23 June 1947. *International Monetary Fund*: Moved to wipe out black market in gold, asking member nations to curb transactions.
- 24 *Canada*: Prime Minister announced in House of Commons that Government would grant \$20 million in European relief after termination of United Nations Relief and Rehabilitation Administration.
- Poland*: Government notified the United States it was ready to join other European countries in preparing an economic plan for Europe.
- The United States of America-the United Kingdom*: The United States Treasury announced the United Kingdom had withdrawn \$2,050 million of the loan to date.
- 25 *Austria*: The United States High Commissioner and Austrian Chancellor signed agreement concerning utilization of Austrian share, estimated unofficially at \$90 million, of the recent \$350 million United States grant to Europe.
- The United Kingdom*: Colonial Secretary announced in Commons £100 million Colonial Development Corporation to be set up to develop colonies.
- 26 *The United States of America*: President vetoed wool price support bill because tariff features would have an adverse effect on international relations. Senate eliminated offending features of bill.
- The United States of America-Sweden*: Signed trade agreement.
- Germany*: New trade pact concluded by French and combined United Kingdom and United States zone.
- 27 *France, the United Kingdom, USSR*: Failed to reach agreement in Paris on the manner of implementing a programme of European recovery. France and the United Kingdom decided to invite all interested European countries to join them in discussions of an over-all economic plan. USSR declined to participate.
- The United States of America*: Export-Import Bank announced that after 30 June it would not hold \$600 million credit ear-marked for China.
- Germany*: Economic Commission of USSR zone held its first meeting.
- 30 *United Nations Relief and Rehabilitation Administration*: Ended at midnight after four years of operation, distribution of nearly \$3,000,000,000 in goods and services (of which the United States of America contributed 72 per cent) in seventeen countries; also assisted in repatriation of seven million displaced persons. UNRRA shipments to Far East to continue another three months, mostly \$90 million of goods to China.
- Germany*: Germans assumed control of port of Bremerhaven.
- Egypt-the United Kingdom*: Interim agreement signed, under which Egypt would leave the sterling bloc and bulk of its £400 million sterling balance in the United Kingdom would be frozen.

JULY

- 1 July. *The United States of America:* Fiscal year ending 30 June showed a budget surplus of \$753,787,660, the first in seventeen years; national debt, \$258,375,903,293.
- 2 *Hungary:* National Assembly passed three-year plan, totalling \$54 million, containing provisions for nationalization of industry and capital levy.
- 3 *Poland:* Diet approved three-year rehabilitation plan.
France-the United Kingdom: Sent invitations to twenty-two European countries to conference in Paris on 12 July to discuss the problem of European economic recovery and to establish temporary organization to draw up a reconstruction programme covering needs and resources of Europe.
- 4 *The United States of America-Italy:* Signed relief agreement; Italy to receive supplies estimated at from \$100 to \$125 million.
The United States of America: Secretary of Agriculture announced that western zones of Germany would receive 300,000 tons of grain monthly for next year.
Italy-Germany: Agreement reached between Italy and combined United Kingdom and United States zones of Germany, for mutual repayments through an offset account in United States dollars in Rome, and for exchange of goods.
Czechoslovakia-Poland: Signed commercial agreement outlining economic relations for next five years.
- 5 *The United States of America:* President announced that nearly 18.5 million tons of grain and other foodstuffs had been sent overseas in year ending 30 June.
Venezuela: Constituent Assembly adopted new constitution which assigned government important duties in economic planning.
- 7 *Argentina:* Central Bank announced removal of restrictions on entry of foreign capital.
- 9 *USSR:* State Planning Commission reported that second quarter of 1947 showed progress, with industrial output programme fulfilled by 103 per cent.
Argentina: Central Bank suspended permits for import of all textile machinery.
Belgium-France-Luxembourg: France signed trade agreement with Economic Union of Belgium and Luxembourg, providing for mutual exchanges to value of 60,000 million francs in each direction.
- 10 *Czechoslovakia:* Government held extraordinary meeting and decided to withdraw acceptance to Paris Conference.
Italy: Government decided to grant all civil servants 15 per cent wage increase in addition to a similar increase recently given; to raise cost-of-living allowance by 20 per cent; and grant relief from certain taxes. Cost: estimated at 40,000 million lire to be met by 5 per cent tax on import licences.

- 10 July 1947. *The United Kingdom*: House of Commons passed Indian independence bill.
Mexico: Government imposed temporary ban on luxury imports and limits on semi-luxuries to conserve foreign exchange reserves.
Chile: Stopped dollar allotments for luxury imports and foreign travel to save foreign exchange.
The United States of America: Granted \$10 million loan to Haiti.
- 11 *The United States of America*: Congress passed bill extending export-import controls over oil and other scarce commodities until 1 March 1948.
International Labour Conference: In closing session, adopted resolution demanding world recognition of right to organize and bargain collectively.
The United States of America: Administrator of Greek aid revealed that \$35 million of military equipment, as part of the \$300 million grant of 20 June, was *en route* to Greece, also that \$7 million in post-UNRRA relief was ready for shipment, under pact signed 8 July, by which Greece was to receive \$50 million in United States additional relief.
United States of America: Census Bureau reported civilian employment rose to record 60,055,000 in June, exceeding 60 million for first time in United States history.
- 12 *Germany-Switzerland*: One-year trade agreement signed between Switzerland and USSR occupation zone of Germany.
Czechoslovakia-USSR: Signed five-year trade agreement, providing in first year for 200,000 tons of raw materials from USSR in exchange for machines and other industrial products.
- 12 July to 22 Sept. *Conference on European Economic Co-operation*: Opened in Paris, attended by: Austria, Belgium, Denmark, France, Greece, Iceland, Ireland, Italy, Luxembourg, Netherlands, Norway, Portugal, Sweden, Switzerland, Turkey, and the United Kingdom. Invitation declined by: Albania, Bulgaria, Czechoslovakia, Finland, Hungary, Poland, Roumania, USSR, and Yugoslavia. Executive committee selected: France, Italy, Netherlands, Norway, and the United Kingdom. Committee voted to request detailed information on needs and resources of the sixteen attending nations, to be returned by 3 August. Questionnaires also sent to occupation zone commanders of Germany.
- 13 July *Hungary-USSR*: Signed commercial treaty for one year, to value of some 400 million forints.
- 15 *The United Kingdom*: British pound sterling became freely convertible for current dealings in compliance with provisions of United States loan.
International Bank: First \$250 million worth of International Bank bonds were offered on New York Stock Exchange.
The United States of America: President signed second decontrol act, continuing war-time export-import controls, Government allo-

- cation of scarce commodities, and Office of Defense Transportation controls.
- 15 July. *The United States of America*: Sent new directives to Military Governor in Germany defining United States objectives for Germany.
The United Kingdom: Chancellor of the Exchequer stated that the United States loan had depreciated in value to the United Kingdom by 28 per cent since it was contracted. The depreciation since 16 October 1946 was 16 per cent.
- 16 *France-Poland*: Signed four-year economic agreement under which French firms would build up Poland's hydro-electric system.
The United States of America: Agriculture Department temporarily stopped buying wheat for shipment abroad, cut third-quarter meat export quotas 89 per cent, and stopped egg price-support programme, effective 23 July, to lessen pressure on domestic food prices.
- 18 *Australia*: Government agreed to accept as immigrants 12,000 displaced persons from Germany.
Finland-Hungary: Signed trade agreement.
- 19 July *The United Nations*: Economic and Social Council held fifth session at Lake Success. Council adopted draft agreement with International Bank and with Monetary Fund in which the United Nations recognized their budgetary autonomy and waived any right to make recommendations on particular loans; appointed a nine-nation committee to report on proposal for economic commission for Latin America; decided to call international trade conference to meet in Havana on 21 November.
- 17 Aug. *The United States of America-Italy*: Signed agreement by which Italy received United States surplus material valued at \$184 million, on payment of \$18 million in settlement of the account.
- 21 July. *Hungary*: Imposed special tax on American-owned Hungarian-American Oil Company to raise \$15 million for use in producing oil for USSR reparations.
- 22 *Argentina-France*: Signed trade pact by which France would receive a loan equivalent to £37.5 million in form of meat, hides, cereals, and oils, to be returned in motors, textile machines, and manufactured goods.
- 23 *Hungary-Yugoslavia*: Signed agreement on mutual long-term commodity exchange.
The United Kingdom: House of Commons passed £1,000,000,000 transport nationalization bill. House of Lords completed action on town and country planning bill.
- 24 *USSR-Yugoslavia*: Signed agreement on deliveries of industrial equipment to Yugoslavia on credit, and two-year agreement on exchange of commodities and payments.
- 25 *The United States of America*: Congress completed action on \$1,658,902,197 appropriation bill, carrying \$1,405,361,400 for for-

1947. eign relief as follows: \$400 million for Greece and Turkey; \$332 million for relief in liberated European countries and China, but excluding Poland and Hungary; \$600 million for Army administration and relief in occupied countries; and \$73,361,400 for International Refugee Organization.
- 28 July. *Canada-Greece*: Signed one-year trade pact, containing most-favoured-nation tariff clause.
- 31 *The United States of America*: Export-Import Bank granted Austria \$13,005,000 credit.
- Canada*: Immigration from June 1945 to July 1947, inclusive, reached 109,814 persons, excluding 7,000 admitted under the programme of the Province of Ontario; immigration into Canada expected to continue at the rate of 5,000 a month during the remainder of the year.

AUGUST

- 1 Aug. *Italy*: Cabinet devalued lire by 55 per cent, raising official dollar exchange rate from 225 to 350. Current black market rate was about 640 to dollar.
- Austria*: Government increased all wages about 50 per cent, unemployment relief by 25 per cent, and pensions by over 65 per cent; raised prices of agricultural products, and of transport and communication services.
- Hungary*: Three-year plan came into force.
- Yugoslavia*: Renounced its \$25 million share of Bulgarian reparations.
- 2 *Austria*: USSR occupation forces took possession of the oil refineries jointly owned by United Kingdom and United States interests, at Lobau in USSR zone, on ground they were a German asset.
- Bulgaria-Yugoslavia*: Signed mutual assistance pact and agreement on economic, political, and cultural ties.
- 4 *Poland-USSR*: Concluded one-year agreement for reciprocal commodity exchanges.
- Canada*: Announced total value of exports for first half of 1947 was \$1,328,500,000.
- Finland*: Concluded trade agreement with USSR zone of Germany for goods valued at equivalent of £1,250,000.
- The United Nations*: League of Nations Board of Liquidators announced a total of 111,424,705 Swiss francs was available for transfer to the United Nations, besides material assets, special funds, and property. There was also available for distribution to members a fund of 61,433,363 Swiss francs.
- 5 *The United States of America*: President signed modified wool tariff bill.
- 6 *The United States of America*: Export-Import Bank cotton credit of \$7 million to Hungary cancelled.

- 7 Aug. *Italy*: Foreign Trade Minister announced signing of agreement for a loan of up to \$50 million, granted by financial group in Canada for purchase of railway, shipping equipment, and food-stuffs.
International Bank: Granted loan to Netherlands of \$195 million, to be devoted exclusively to reconstruction of production facilities in the Netherlands.
Food and Agriculture Organization: Issued survey of world food prospects, which it reported worsening in 1947-48.
Czechoslovakia-Trieste Free Territory: Agreement signed between Allied Military Government of Venezia Giulia and Czechoslovakia, granting latter revolving credit of 200 million lire for payment of transport charges on traffic through Trieste.
- 8 *Canada*: Government allocated \$16 million of recently approved appropriation for European relief among Austria, Greece, Italy, and International Children's Emergency Fund.
The United States of America: President signed bill authorizing end of consumer credit curbs 1 November.
- 9 *Hungary-the United Kingdom*: Signed three-year trade agreement.
- 10 *Austria*: Law came into force permitting price increases in industrial goods, coal and rents.
- 12 *The United Kingdom*: House of Commons passed emergency powers bill, providing for programme of further austerity, overtime work, and greater government direction of industry and labour.
Germany-Yugoslavia: Four-year \$100 million trade agreement signed by Yugoslavia with the United Kingdom and the United States zones of Germany.
- 13 *Iraq-the United Kingdom*: Concluded agreement regularizing the use of Iraq sterling balances over five years, beginning 15 July 1947.
- 14 *India-the United Kingdom*: Reached interim agreement which provided that £35 million should be available from India's existing balance of expenditure in any currency area, up to 31 December. In addition, a working balance of £30 million would be at disposal of Reserve Bank of India.
Sweden: Riksbank temporarily stopped all dealings in sterling and dollars.
The United States of America: State Department announced cancellation of \$540 million Italian debt for food supplied and Lend-Lease; also released \$60 million in Italian assets and transferred twenty-eight merchant ships to Italy.
- 15 *Roumania*: Passed law devaluating the leu 20,000 times. Large savings virtually confiscated by special regulations for exchange of new lei for old.
India: Became free after 346 years of intermittent British rule, and was partitioned into Dominions of India and Pakistan.
Japan: Allied Headquarters announced a plan to use a portion of

1947. the \$137 million of Japanese-owned gold and silver, made available to the Far Eastern Commission, to finance Japan's foreign trade.
- 15 Aug. *Inter-American Conference of Foreign Ministers*: Met in Petropolis, Brazil. A treaty of mutual defence of the Americas was signed to
- 2 Sept. by twenty nations at the conclusion of the conference. Agreement was reached on hemispheric economic conference to be held in Buenos Aires in the second half of 1948, conference to be preceded by a preparatory conference.
- 15 Aug. *Australia*: Cabinet, to conserve dollars, rationed dollars for travel; cut petrol consumption; ordered review of dollar expenditure on tobacco, films, newsprint, and all minor imports.
- 17 *China*: Government authorized importers and exporters to trade in foreign exchange at open market, rather than official, rate to stimulate exports. Subsidies on essential imports continued.
- 19 *Turkey-the United States of America*: In addition to the United States aid programme, Turkey obtained 10 United States merchant ships for \$13.4 million.
- 20 *The United States of America*: In mid-year review of the United States budget for fiscal year ending 30 June 1948, President predicted estimated receipts of \$41,700,000,000; expenditures \$37,000,000,000; record surplus of \$4,700,000,000; but foreign relief might cut surplus.
- The United Kingdom*: Announced temporary suspension of free convertibility of sterling into dollars; sterling still freely exchangeable into many other currencies.
- France-Poland*: Signed two trade agreements for exchange of coal from Poland for chemical products, wool, motor vehicles, and industrial equipment from France.
- 21 *Argentina*: Central Bank announced that, owing to inconvertibility of sterling, all prior exchange permits for imports would be suspended till further notice.
- Roumania*: Exchange rate was fixed at 505 lei to the pound sterling, 150 to the United States dollar.
- 22 *International Bank*: Agreed to advance Denmark \$40 million loan.
- New Zealand*: Conference for aid to Britain adopted production programme for substantial increase in grain, butter fat, and meat to be shipped to the United Kingdom.
- 23 *Bulgaria-USSR*: Agreement on industrial equipment signed.
- 25 *Turkey*: Government announced long-term plan to cost about £125 million for rehabilitation of agriculture and industry.
- 25 Aug. *Food and Agriculture Organization*: Met in Geneva. Agreed to
- 12 Sept. unanimously to replace existing executive committee with world food council to be known as the Council of FAO.
- 27 Aug. *The United States of America*: Secretary of the Treasury announced freezing of the last \$400 million of the British Loan which

- would continue while arrangements were being made to examine all demands for dollars from current transactions.
- 28 Aug. *International Bank*: Loan of \$12 million to Luxembourg to buy steel and railroad equipment.
France: Ministry of National Economy announced temporary cessation of all imports from the United States, save coal, fuel oil, fats, edible oils, and grain.
- 29 *United Nations Relief and Rehabilitation Administration*: The United States President submitted to Congress UNRRA reports revealing that \$2,597,299,000 in relief shipments had gone to liberated nations by end of first quarter of 1947.
USSR: Concluded agreement to deliver 300,000 tons of grain to Poland.
Germany: Revised plan for industrial level of combined United Kingdom and United States zones published; permitted new level equal to 1936, instead of 70 to 75 per cent of 1936.
- 30 *International Emergency Food Council*: Secretary-General reported to Food and Agriculture Organization Conference that 1947-48 requirements, as presented to the Council, were over 50 million tons, while the total amount of cereals available would be 29 million tons.
- 31 *Palestine*: United Nations Special Committee on Palestine signed report in Geneva and submitted it to General Assembly.

SEPTEMBER

- 1 Sept. *Bulgaria-Poland*: Signed \$17 million agreement, exchanging Polish manufactures for Bulgarian materials.
Mexico: President announced that \$250 million oil expropriation debt to British and Netherlands firms had been settled for \$21.25 million. •
France: National Assembly voted that gold valued at 12,000,000,000 francs should be transferred from *Banque de France* to nation's foreign exchange stabilization fund to be used for essential imports from dollar countries during second half of 1947.
- 2 *France*: National Assembly voted 4,550 million franc subsidy to keep down price of coal.
Australia: Prime Minister announced reductions in all dollar imports, save essential machinery and raw materials, in order to reduce \$85 million gap between imports from dollar areas and exports to them.
- 3 *Argentina*: Central Bank announced temporary resumption of grant of exchange permits for imports, also temporary resumption of quotation of sterling on official and free markets.
Ireland-Spain: Signed trade agreement for exchange of seed potatoes and potash.
- 4 *Sweden*: Announced that during first half of 1947, USSR exports to Sweden were 39 million kronor, against Swedish deliveries to the

1947. USSR of 4 million. Nearly 17 million kronor of this surplus represented Swedish imports from the USSR zone of Germany.
- 5 Sept. *Australia*: Sold United Kingdom gold valued about £1,575,000 (about \$5.25 million) to help overcome the dollar crisis; agreed to deliver entire Australian gold production as mined.
Czechoslovakia-Roumania: Concluded trade agreement.
Argentina-Switzerland: Resumed financial transactions.
- 9 *New Zealand*: Prime Minister announced that its import programme from the United States would parallel that of the United Kingdom. The Government would allow its credit of £100 million in the United Kingdom to remain there without an agreement to block it.
Belgium-the United Kingdom: Reached payment agreement by which the two central banks would continue to sell their currencies against each other's currency, the limits to be increased from £5 million to £12 million, and the equivalent in Belgian francs.
- 10 *The United States of America*: State Department disclosed that all nations depending on United States grain had been warned of a 10 per cent drop in exports during current fiscal year, owing to drought damage to American corn crop.
- 11 Sept. *British West Indies*: Held conference at Montego Bay, Jamaica, to and established commission to formulate plan of federation and
 18 Sept. report not later than 30 June 1949; agreed to appoint a trade commission of the British Caribbean in London.
- 11 Sept. *International Bank, International Monetary Fund*: Held second to annual meetings in London. Bank announced loans made during
 17 Sept. the year and applications pending.
- 12 *The United Kingdom*: Board of Trade announced details of Government's revised export programme which aimed at increasing exports to 164 per cent of 1938.
- 14 *Iran*: Prime Minister outlined seven-year plan of social and economic reform, to cost the equivalent of £450 million.
- 15 *Bulgaria, Hungary, Finland, Italy, Roumania*: Peace treaties came into force.
Poland-Roumania: Signed \$1.2 million trade agreement.
The United Kingdom: Drew on its gold reserve for the first time, selling £20 million to Federal Reserve Bank of New York.
- 16 Sept. *The United Nations*: Second regular session of General Assembly to met in New York.
- 29 Nov.
- 16 Sept. *International Monetary Fund*: Agreed to give the United Kingdom \$60 million in exchange for sterling.
The United Kingdom: Government formally ended its state of war with Austria, to permit commercial and financial dealings.
Netherlands: Minister of Finance announced that budget deficit stood at 1,566 million guilders.

- 17 Sept. *Siam*: Joined sterling group.
Turkey: Announced special export licensing on certain products to be paid for in sterling.
- 18 *Argentina*: Central Bank announced partial lifting of its almost total ban on imports.
- 19 *Australia*: Prime Minister presented budget, showing revenue amounting to £A412 million, as against an estimated revenue of £A385 million. Employment at highest peace-time levels. To encourage gold production as a means of obtaining dollars, Government announced suspension of gold tax effective 20 September.
Poland-USSR: Announced agreement by which Poland received complete control of Baltic port of Stettin.
The United States of America: Signed agreements with Philippine Republic, and Finland, giving each nation \$10 million credit for purchase of United States war surplus goods.
- 20 *Hungary*: Concluded trade pact with United Kingdom and United States zones of Germany.
- 22 *Committee of European Economic Co-operation*, in Paris, reported that its sixteen member countries, their dependent territories, and western Germany, would need \$22,400,000,000 aid during 1948-51, for recovery.
International Emergency Food Council: Authorized increases to sugar-importing countries, owing to rise in world sugar supply.
- 23 *Czechoslovakia-Denmark*: Concluded trade agreement to value of 60 million kroner.
- 24 *The United States of America*: State Department announced return to European claimants of \$330 million in Nazi-seized gold by mid-October.
International Trade Conference in Geneva: Adopted text of a General Agreement on Tariffs and Trade to govern trade relations until adoption of International Trade Organization charter.
The United States of America: American Iron and Steel Institute reported that the United States exported 4,747,397 tons of finished steel in 1946, 9.7 per cent of total output.
Hungary: Concluded trade agreement with Soviet zone for German machinery and raw materials to value equivalent to £135,500.
- 25 *Turkey*: Government prohibited all exports against sterling holdings which had accumulated to £20 million.
- 26 *Finland*: Government reached agreement with trade unions for a general wage increase of 12 to 15 per cent, estimated to cost 500 million Finnish marks.
- 27 *The United States of America*: Harriman Committee reported on American ability to aid Europe.
- 29 *The United Kingdom*: Prime Minister created Ministry of Economic Affairs.
- 30 *The United Nations*: Secretariat reported fifteen European countries, answering questionnaire, revealed estimated 1947 foreign ex-

1947. change deficit of \$1,786.3 million. International loans received since war by twenty-three countries totalled \$14,768 million.
 30 Sept. *Canada*: Concluded agreement with International Refugee Organization to accept 2,000 displaced persons from United Kingdom and United States zones of Germany.

OCTOBER

- 1 Oct. *Canada-the United Kingdom*: Agreement fixed export prices for 1948-49 crops at \$2 bushel rather than current \$1.55. Canada to supply United Kingdom with 600 million bushels during next four years.
The United Kingdom: Austerity measures took effect. Government also ended its war-time ban on dealings in United States, Canadian, Swedish, and other foreign securities on London Stock Exchange and terminated Government's power to requisition foreign securities.
- 2 *Germany-Netherlands*: Netherlands concluded contract with United Kingdom and United States zones for manufacture of 102,000 tons of rolled steel products for which it would furnish raw materials and make payment in finished products and dollars.
- 3 *The United States of America*: Distilled Spirits Institute, representing 60 per cent of industry, gave pledge to eliminate use of wheat and cut other grains 50 per cent in next four to ten months.
France, USSR, the United Kingdom, the United States of America: Held conference on disposition of Italian colonies, established commission and schedule of inspection.
- 5 *USSR*: Moscow radio announced the establishment of an Information Bureau in Belgrade to co-ordinate the activities of the Communist parties of Bulgaria, Czechoslovakia, France, Hungary, Italy, Poland, Roumania, USSR and Yugoslavia. The Bureau proposed opposition to proposals for United States aid to European recovery on the ground that the plan was "the European part of the general plan of world expansion being carried out by the United States".
- 9 *The United States of America*: Treasury announced purchase of \$5,662,636 worth of gold from USSR.
Union of South Africa: Granted United Kingdom loan of £80 million in gold.
- 10 *Argentina*: Signed agreement granting Roumania \$25 million credit.
The United Kingdom, the United States of America, Italy: Signed protocol for return of £6 million in Italian Bank gold recovered by Allies from Nazis.
- 11 *Czechoslovakia*: Premier announced five-year plan to double average *per capita* income and raise living standards 50 per cent over pre-war level.
The United States of America: State Department announced plans

- to return to France between \$90 million and \$100 million of captured French gold and some \$30 to \$40 million stolen in Indo-China by Japan.
- 13 Oct. *Argentina*: Signed five-year financial and commercial treaty with Italy, granting latter three-year credit of 350 million pesos, and after its exhaustion, a further loan of 350 million pesos; repayments to be made in United States dollars.
- 14 *USSR*: Signed agreement with Finland for direct Helsinki-Leningrad railway transport of passengers and cargo.
- 15 *Ireland*: Minister of Finance introduced plan to lower living costs by food subsidies, and wage and price stabilization; costs to be met by increased income, surtax, and luxury taxes.
- The United States of America*: President authorized Army to purchase \$50 million worth of francs from France to be used in payment of procurement obligations in France and North Africa.
- 17 *France*: Received \$104 million allotment of United States recovered gold seized by Nazis during war; bringing to \$247.15 million amount of new dollar resources France found during current week. On 13 October, France received \$93 million of reconstruction loan from United States Export-Import Bank; on 15 October United States Army was authorized to purchase \$50 million worth of francs to be used towards paying off France's \$80 million claim for supplying United States forces on French soil.
- Italy*: Received \$4,280,625 of German gold loot; obtained 16 October \$32 million advance on \$100 million Export-Import Bank loan for industrial revival.
- Commission for Restitution of Monetary Gold*: Made preliminary allocations to Luxembourg, Belgium, and Netherlands and approved claims submitted by Austria and Italy.
- The United Kingdom-Burma*: British and Burma Prime Ministers signed treaty in London granting Burma independence, outside British Commonwealth, as Republic of Union of Burma.
- 18 *Denmark-USSR*: Concluded barter agreement for foodstuffs to value of 70 million kroner.
- The United States of America*: Secretary of Interior Krug submitted report on United States national resources and foreign aid. Inventory showed United States can furnish considerable foreign aid without damaging own security or standard of living.
- 20 *The United Kingdom*: Treasury announced £30 million gold sold to United States and purchase of \$120 million from International Monetary Fund.
- 21 *Greece*: United States Aid Mission announced \$6 million will be saved in programme by discovery of supplies in Greek warehouses and docks, originally valued at \$25 million.
- 22 *Iran*: The Majlis voted cancellation of the 1946 oil agreement with the USSR.
- 27 *China-the United States of America*: Signed agreement under

1947. which China will receive \$30 million in food and other relief from United States.
- 27 Oct. *Germany*: United Kingdom Foreign Office announced approval by United Kingdom and United States of recommendations for increased Ruhr coal production.
- 28 *France*: Prime Minister told Assembly that wage level must be held, with few exceptions.
France, Italy, Belgium, Luxembourg, Netherlands: Negotiators reached accord in Paris for free exchange of currencies. The plan provides that a participant may use a surplus from trade with one country to compensate for a deficit with another.
- 29 *Belgium, Netherlands, Luxembourg*: Formally exchanged ratifications of Benelux Customs Union in Brussels. Agreement takes effect 1 January.
- 30 *International Conference on Trade and Employment* at Geneva: Ended after 203 days, with 23 countries, representing 19 customs areas, signing a general agreement to reduce preferential tariffs, quantitative restrictions, and other barriers. Conferring countries also signed about 120 trade agreements.
- 31 *Germany-Poland*: Agreement reached by Poland with the United Kingdom and the United States zones on foodstuffs and news-print.
The United Kingdom: Treasury announced gross sale of gold for October amounted to £35 million.
Yemen: Cancelled all contracts with United States firms for oil prospecting and exploitation.

NOVEMBER

- 1 Nov. *International Refugee Organization*: Preparatory Committee ended Geneva session, having cut IRO budget from \$129 million to \$115 million.
- 2 *The United States of America*: Nourse Committee, which studied impact of foreign aid on the domestic economy, made its report: stated Committee's "confidence as to the adequacy of United States economic resources to supply aid . . . to Europe in a total volume approximating the needs".
- 3 *Canada*: Ended war-time food rationing, lifting rationing of sugar and molasses. Price control continued on these items.
Germany-Poland: United Kingdom and United States zones of Germany closed trade agreement with Poland.
- 4 *Ireland-the United Kingdom*: Agreed on increased exchange of goods and strengthening of balance of payments position of the sterling area.
The United Nations: Economic Commission for Europe reported Europe had over-all man-power deficit of 1.13 million workers.
Food and Agriculture Organization: Established Forestry Office in Geneva to work for relief of Europe's critical timber shortage.

- 4 Nov. *The United States of America:* Announced shipment of \$27 million worth of relief supplies, including 50,000 tons of wheat and 43,000 tons of rice, to China under agreement signed 27 October.
- 5 *The United Kingdom:* House of Commons passed second reading of Burma independence bill.
France: As a step towards a balanced budget, the Cabinet ended coal subsidies and raised price from \$11 to \$18 a ton. USSR advised France that it could furnish only 300,000 tons of requested 1.5 million tons of grain.
- 6 *USSR:* Foreign Minister announced that industrial production was back to 1940 level; the post-war five-year plan was on schedule at the two-year point; current year's grain crop was 58 per cent better than last; and pre-war coal production had been exceeded.
- 7 *The United States of America:* Agriculture Department announced plan to purchase at least 50 million pounds of Mexican canned meat for European relief.
Chile: Revalued its gold reserves on basis of parity of 31 pesos to United States dollar from a former parity of 0.3 peso, giving Government a profit of 930,943,863 pesos (\$26,804,640).
Mexico: Raised the *ad valorem* import tax to protect industry and increase dollar reserves.
- 8 *The United States of America:* President's Committee on Foreign Aid, headed by Secretary of Commerce Harriman, recommended Congress appropriate between \$12,700,000,000 and \$17,200,000,000 during next four years for European recovery; 1948 instalment about \$5,750,000,000.
The United Kingdom: Government introduced potato rationing for first time since First World War.
 Through International Refugee Organization, the United Kingdom revealed it had admitted 30,000 displaced and was accepting displaced persons as immigrants at rate of 1,200 weekly to fill waiting jobs.
- 10 *The United States of America:* President made first quarterly report on \$300 million Greek relief programme.
 Turkey received \$100 million under programme; report described effort to modernize Turkish Army, using fewer men and thereby releasing more funds for internal economy.
The United States of America: The twenty-fourth Presidential report on Lend-Lease listed total Lend-Lease to all countries, through March 1947, at \$50,377,618,340.
- 11 *International Emergency Food Council:* Voted its own dissolution; Food and Agriculture Organization to take over as soon as majority of Council's member nations ratified action.
The United Kingdom: Government announced decree ordering 500,000 to 750,000 persons in non-productive work to register for jobs in essential industries, effective 8 December.
Italy: Series of strikes began.

- 11 Nov. 1947. *Hungary*: National Assembly passed bill permitting Government powers to govern by decree.
Australia: Bank nationalization bill passed second reading in the House.
- 12 *The United States of America*: Secretary of State, before joint sessions of Senate and House foreign relations committees, urged Congressional special session to open 17 November to begin work on the following aid programme: interim aid to France, Italy and Austria, \$597 million; European recovery aid to 30 June, \$1,500 million; occupation costs for Germany, Japan and Korea, \$500 million; interim aid to China, \$60 million; total \$2,657 million.
France-Poland: Signed pact, whereby French owners of nationalized property in Poland would receive \$57 million, about one-seventh the valuation; Poland to pay with coal.
The United Kingdom: Chancellor of the Exchequer introduced a supplementary budget designed to increase revenue by net of £208 million a year, by increased taxes on entertainment, profits and purchases, liquor, and by withdrawals of leather, cotton, and wool subsidies.
- 13 *Italy*: Government signed agreement by which it would henceforth administer, for relief and rehabilitation, fund estimated ultimately at 85,000 million lire, created by Government sales of goods given Italy by UNRRA.
- 14 *France*: National Assembly passed bill empowering Government to replace Saar mark with franc as legal currency; on 20 November the rate for the Saar mark was fixed at 20 francs.
France: Council of Ministers adopted decrees raising prices of gas and electricity by 45 per cent and transport fares by 25 per cent.
- 17 *The United States of America*: Export-Import Bank announced provisional agreement to lend Canada \$300 million to maintain essential equipment and raw material purchases.
The United Nations: General Agreement on Tariffs and Trade, signed at Geneva and released by the United Nations, affected 45,000 items. The 23 signatory nations accounted for 65-70 per cent of world trade. Parts of the agreement become effective 1 January; others require action by the United States Congress.
The United States of America: Special session of Congress opened; President Truman urged immediate adoption of \$597 million stop-gap aid programme for France, Italy and Austria; also measures to halt inflation.
The United States of America-Mexico: Export-Import Bank loaned Mexico \$5 million to buy farm machinery.
- 18 *The United Kingdom*: President of Board of Trade stated two supplemental agreements to the General Agreement on Tariffs and Trade had been appended: (1) with the United States, to suspend trade agreement of 1938, so long as General Agreement was in force; (2) with Canada, to modify 1937 agreement to enable both countries to adhere to General Agreement.

- 18 Nov. *Canada*: Finance Minister announced measures to improve foreign exchange position, including United States credit (see 17 November), plan for increase in gold output, short-term policy of import and travel restrictions, and 25 per cent excise tax to limit expenditure on many durable consumer goods.
- 19 *The United States of America-Finland*: Export-Import Bank granted Bank of Finland \$5 million credit to buy American cotton. *Germany*: The United Kingdom and the United States Military Governments turned management of the Ruhr coal industry over to German board, responsible to the United Kingdom and the United States control group.
- 21 *Austria*: Parliament authorized bills to devalue outstanding schillings by two-thirds.
The United Nations: International Trade Conference: Opened in Havana with sixty-three nations represented, fifty-one of them members of the United Nations; the USSR was not represented. *Hungary*: Parliament voted bills nationalizing banks and disbanding Independent (Opposition) Party.
- 22 *Hungary-Poland*: Signed agreement for exchange of Hungarian oil and oil products for coke.
Hungary-France: Concluded trade agreement, Hungary to supply agricultural goods, seeds, meat, and tractors, in exchange for French trucks, buses, fertilizer, textiles, and chemical products.
- 24 *Italy*: Strikes began to subside.
The United States of America: President Truman asked Congress to approve \$490 million supplementary appropriation for occupied areas.
- 25 *Sweden-the United Kingdom*: Announced monetary agreement to continue through 1949, providing for exchange of currencies, instead of gold, to satisfy trade balances up to £8 million.
The United Kingdom: Announced agreements with Belgium and Iraq for limited convertibility of sterling and agreed that Japan would be paid in dollars for any surplus in trade with Britain.
- 26 *Canada*: Agreed to admit 10,000 more Netherlands farm workers in 1948.
The United Kingdom: Transport Commission revealed details of railroad nationalization effective 1 January: rail system to become "British Railways"; Government to pay \$4,000,000,000 to acquire railroad securities.
Mexico-the United States of America: Announced end of slaughter of cattle infected by hoof and mouth disease, a programme on which the United States spent \$20 million.
France: 18 unions, with 2 million on strike, refused Government's offer of \$12 a month cost-of-living increase, with additional increases later.
- 27 *International Civil Aviation Organization*: Ended twenty-four-day session without reaching agreement on commercial air rights.

- 27 Nov. 1947. *International Refugee Organization*: Preparatory Commission reported that homes must be found for 800,000 refugees, four-fifths non-Jews.
- Yugoslavia-Bulgaria*: Signed mutual assistance treaty.
- Italy*: Lire devalued 60 per cent; new rate 589.47 to United States dollar.
- Czechoslovakia-Venezuela*: Signed commercial agreement.
- Belgium-the United States of America*: Export-Import Bank gave Belgium \$50 million credit for raw materials and equipment.
- 28 *Italy-Yugoslavia*: Signed \$250 million five-year trade agreement.
- Germany*: USSR, United Kingdom and United States zones reached 300 million mark (U.S. \$30 million) trade agreement for 1948.
- 29 *The United Nations*: General Assembly adjourned, having voted partition of Palestine and establishment of a five-nation commission to supervise transition. Other action: (1) Created Balkan Commission to maintain watch on Greece's northern frontier; (2) Created Korean Commission to supervise free Korean elections; (3) Created Interim Commission to sit for Assembly until next session; (4) Admitted Pakistan and Yemen as fifty-sixth and fifty-seventh Members; (5) Approved United Kingdom-Australian-New Zealand trusteeship agreement for Nauru Island; asked South Africa to submit trusteeship agreement for South-West Africa; (6) Approved general plan and design for permanent New York headquarters; authorized Secretary-General to accept \$65 million interest-free United States loan for building; (7) Adopted \$34,825,195 budget (\$6,208,627 over 1946); and (8) Approved agreements making specialized agencies of International Bank for Reconstruction and Development, International Monetary Fund, World Health Organization, Universal Postal Union, International Telecommunications Union.
- 29 *Council of Foreign Ministers* of France, USSR, the United Kingdom and the United States convened in London.

